

TRANSCO PRICING CONSULTATION PAPER PC45

Charges for the Administration of Allocation Arrangements at Shared Supply Meter Points and Interconnectors

SUMMARY

This paper describes Transco's proposals for the introduction of revised charges for the administration of allocation arrangements at shared supply meter points and the offtakes to the GB-Ireland and UK-Continent interconnectors. The proposed charges are shown in Appendix 3.

In 1997 Transco proposed the introduction of charges for the administration of allocation arrangements at shared supply meter points and the Moffat offtake. In March 1998, following Ofgas' decision not to veto the proposed charges, Transco informed shippers of its intention to introduce charges with effect from 1st June 1998.

Transco then consulted further during 1998 on fully cost-reflective charges; Ofgas did not veto the proposals and revised charges for administering allocation arrangements at shared supply meter points and interconnectors were implemented on 1 January 1999. Transco has now reviewed the costs reflected in these charges and this paper sets out proposals for charges for allocation arrangements from 1st October 1999.

The revised charges are based on the same methodology as existing charges. However, compared to the present charges reductions are proposed in all categories of charge. This applies whether the meter points are telemetered or non-telemetered, whether the service is provided by Transco or an Agent. In addition there are reductions in the proposed charges for each of the tasks i.e. set-up, shipper to shipper transfer, and daily charge.

1. BACKGROUND

In June 1997 Transco consulted the industry on proposals for the introduction of new charges for the administration of supply point arrangements (PC18). This followed the approval of Network Code Modification 0139 which set out the business rules for shared supply meter points.

Following the consultation, Ofgas questioned why it was not appropriate to introduce charges for the administration of the similar allocations service at Moffat. Transco subsequently proposed this in a second consultation, PC18A. Following this, final proposals were put forward for the simultaneous introduction of administration charges for allocation arrangements at supply points and Moffat. In March 1998, following Ofgas' decision not to veto the proposed charges, Transco informed shippers of its intention to introduce the charges from 1 June 1998.

The charges were revisited through industry consultation during the summer of 1998. At this time the business rules were being developed for allocation arrangements at Interconnectors (i.e. Bacton and Moffat). Once these were finalised proposals were put forward for charges for these services. Ofgas decided not to veto the proposals and revised charges for the administration of allocation arrangements at shared supply meter points and for interconnectors became applicable from 1 January 1999.

This paper presents proposals for revised charges, taking account of updated costs within the existing charging methodology.

2. ADMINISTRATION COSTS

This paper identifies the activities involved in administering allocation arrangements at SSMPs and interconnectors taking account of improvements in processes over time and their associated costs in order to derive cost-reflective charges.

Since the initial charges proposed in PC18 were assessed, there have been a number of moves towards systematising the manual processes used, with further enhancements anticipated in the future. All the activities and costs have been re-assessed in deriving the revised charges, including taking account of the future improvements such that the charges are based on a forward looking assessment of costs.

Appendices 1 and 2 give a full breakdown of the activities involved in the different stages of managing allocation arrangements. The time involved for each activity is included, which is used to determine labour costs. This provides Transco's best estimate of likely forward looking on-going costs attributable to the allocations service.

In accordance with the assessment of appropriate charges for other services, as explained in Transco's paper 'Charging for Specific Services - Cost Assignment Methodology - A Background note by Transco (May 1999)', an uplift of 145% has been added to the direct labour costs to account for support and sustaining costs.

3. PROPOSED CHARGES

3.1 Assumptions - Shared Supply Meter Points

Presently there are 66 shared supply meter points with allocation arrangements. This has increased from 28 in June 1997 and 39 in May 1998.

The assumptions used in deriving the charges are the same as those used to generate the present charges and are as follows:

- i) The typical number of shippers per allocation arrangement is 1.5. This has been used in deriving charges on a per shipper basis.
- ii) There are typically two logical meters per supply point.

3.2 Assumptions - Interconnectors

The number of shippers has increased to an average of 15 (from 8) per interconnector, while the number of logical meters per supply point remains at two.

3.3 Structure of Charges

Responses received to Transco's originally proposed charges indicated that the structure of the charges was acceptable. Therefore it is not proposed that the structure of the charges should be significantly amended.

It is also proposed that the categories of the charges will remain unaltered. The categories of charges are necessary due to the different specific requirements placed on Transco depending on whether the site is telemetered or non-telemetered, and on whether an allocations agent has been appointed or not.

Appendix 3 sets out a summary of the proposed charges. Compared to the present charges there are reductions in all categories of charge due to increases in efficiency and systematisation. In particular a new Unique Sites Billing System should be operational in the near future which will introduce some automation into the off-line billing system.

3.4 Future Revisions of Charges

3.4.1 Shared Supply Meter Points

The charges proposed in this paper assume a continuation in the take-up of the service at a similar rate to that experienced since its introduction. Modification 0139 places a restriction on the availability of the allocations service to those supply points consuming more than two million therms per annum, with further limitations specified in Modification 0139. If any of these restrictions are lifted and this leads to a significant increase in the number of shared supply meter points, then Transco will review the suitability of present processes employed and the assumptions made, and it may be appropriate to revise the charges.

3.4.2 Interconnectors

The charges proposed in Appendix 3 of this paper are appropriate for the present allocation arrangements in place at Moffat and Bacton.

QUESTIONS FOR CONSULTATION

Respondents views are invited on the level of the charges proposed by Transco for administering allocation arrangements at shared supply meter points and at interconnectors.

Breakdown of Costs for Allocation Agreements : Non-Telemetered Sites

Non-Telemetered	Transco service (No Agent)			No Agent			
	Activity	Time, (mins) per allocation	Time, (mins) per shipper	Cost per shipper	Time, (mins) per allocation	Time, (mins) per shipper	Cost per shipper
Set Up Activities	1Manage site nomination, offer & confirmation stages. Internal administration & create logical meter no. 2 Set up logical meter on Link 3Set up details on Unique Sites Billing System	400 15 40	267 10 27	£117.96 £5.09 £11.84	412	274	£122.10
		455	303	£134.89			£122.10
Daily Activities	1Calculate and process allocations 2Enter allocations to AT-Link & v validate	5 1	3.3 0.7	£1.15 £0.24	5.5	3.7	£1.27
		6	4	£1.40			£1.27
Monthly Activities	1 Ad-Hoc Billing Cycle		45.5	£23.18	45.5		£23.18
				£23.18			£23.18
Shipper-Shipper Transfer Activities	1Manage site nomination, offer & confirmation stages. Internal administration & create & close down logical meter no's 2Amend details on Unique Sites Billing System 3End date & create logical meters on Link	290 25 n/a	290 25 10	£127.81 £11.43 £5.09	290 25 n/a	290 25 10	£127.81 £11.43 £5.09
				£144.33			£144.33
Change to Allocation Split	1Amend details on Unique Sites Billing System n/a	25 n/a	17	£7.62	25 15	17	£7.62 £5.80
				£7.62			£13.42

Costs and Charges Summary - Non-telemetered sites

	Transco service			Agent Service		
	Cost per activity		Annual Cost	Cost per activity		Annual Cost
(Daily Charge)						
Daily activities	£1.40	x 365	£509	£1.27	x 365	£463
Monthly activities	£23.18	x 12	£278	£23.18	x 12	£278
Change to Allocation Split	£7.62	x 1	£8	£13.42	x 1	£13
		Total	£795			£754
		Charge		Charge		
Daily Charge	£795	/365	£2.18	£754	/365	£2.07
Set up Charge	(per request)		£135			£122
Transfer Charge	(per request)		£144			£144

Pc45

Breakdown of Costs for Allocation Agreements :

Telemetered	Transco service (No Agent)			
	Activity	Time, (mins) per allocation	Time, (mins) per shipper	Cost per shipper
Set Up Activities	1Manage site nomination, offer & confirmation stages. Internal administration 2 Set up logical meter on Link 3Create details on allocations database			
Daily Activities	1Calculate and process allocations 2Fax allocations to shippers 3Enter allocations to AT-Link & v validate			
Monthly Activities	1Ad-Hoc Billing Cycle			
Shipper-Shipper Transfer Activities	1Manage site nomination, offer & confirmation stages. Internal administration 2Amend details on Unique Sites Billing System 3Liaise with shipper re.NEXA 4End date & create logical meters on Link 5Update Comm Op's database			
Change to Allocation Split	1Amend details on Unique Sites Billing System 2Update Comm Op's database			

Costs and Charges Summary - Telemetered site

	Transco
(Daily Charge)	Cost per activity
Daily activities	£1.09
Monthly activities	£23.18
Change to Allocation Split	£11.00
Daily Charge	£689
Set up Charge	(per req
Transfer Charge	(per req

Page 5

**Breakdown of Costs for Allocation Arrangements
at Interconnectors :**

Appendix 2

Shipper Set Up - Activities (Agent Service and Transco Service)

Activity	Time (mins per Shipper)	Uplifted Cost per shipper
Manage site nomination, offer & confirmation stages. Internal administration	120	£41.49
End date I.m. & create new I.m.	10	£5.09
Update Comm Op's database	15	£8.85
Set-Up details on Unique Sites Billing	10	£5.09
Validation of Site Details	10	£4.22
Liaison with Shipper regarding the rules under the CSEP Ancillary Agreements.	30	£20.76
TOTALS	195	£85.52

Daily Activities (Agent Service)

Activity	Time (mins per Shipper)	Uplifted Cost per shipper
Enter Aggregate Offtake Measurement into AT-Link Agent Allocation Screen & validate (inc. filing & admin)	1	£0.44

Daily Activities (Transco Service)

Activity	Time (mins per Shipper)	Uplifted Cost per shipper
Receive Daily Measurements from NGMS.	0	
Calculate & process daily allocations	1.33	£0.58
Enter Allocations to Link & validate. (inc. Filing & Admin)	1.1	£0.48
TOTALS	2.43	£1.06

Monthly Activities (Agent Service and Transco Service)

Activity	Time (mins per Shipper)	Uplifted Cost per shipper
Transfer data from Business Objects to USBS	0.5	£0.25
Ad-Hoc Billing Cycle	45	£18.99
TOTALS	45.5	£19.25
Equivalent Daily Cost	£19.60x12/365	£0.63

Daily Charge per shipper (Agent Service)

	Annual Cost
(Daily Activities) £0.44	£159.01
(Monthly Activities) <u>£0.63</u>	<u>£230.99</u>
<u>£1.07</u>	<u>£390</u>

Daily Charge per shipper (Transco Service)

	Annual Cost
(Daily Activities) £1.06	£386.40
(Monthly Activities) <u>£0.63</u>	<u>£230.99</u>
<u>£1.69</u>	<u>£617</u>

New Shipper Set-up Charge **£85.52**
(Agent Service and Transco Service)

Appendix 3

PROPOSED ADMINISTRATION CHARGES FOR :-**i) ALLOCATION ARRANGEMENTS AT SHARED SUPPLY METER POINTS**

Charges expressed as £/shipper	<i>Transco service</i>		<i>Agent service</i>	
	Telemetered	Non-Telemetered	Telemetered	Non-Telemetered
Set- up Charge	£61	£135	£61	£122
Shipper-Shipper Transfer Charge	£76	£144	£76	£144
Daily Charge	£1.89	£2.18	£1.62	£2.07

ii) ALLOCATION ARRANGEMENTS AT INTERCONNECTORS

Charges expressed as £/shipper	<i>Agent service</i>	<i>Transco service</i>
New Shipper Charge	£86	£86
Daily Charge	£1.07	£1.69

EXISTING ADMINISTRATION CHARGES FOR :-**i) ALLOCATION ARRANGEMENTS AT SHARED SUPPLY METER POINTS**

Charges expressed as £/shipper	<i>Transco service</i>		<i>Agent service</i>	
	Telemetered	Non-Telemetered	Telemetered	Non-Telemetered
Set- up Charge	£67	£170	£67	£159
Shipper-Shipper Transfer Charge	£88	£181	£88	£181
Daily Charge	£2.24	£2.58	£1.89	£2.54

ii) ALLOCATION ARRANGEMENTS AT INTERCONNECTORS

Charges expressed as £/shipper	<i>Agent service</i>	<i>Transco service</i>
New Shipper Charge	£95	£95
Daily Charge	£1.53	£2.19