

CSEP invoice - in respect of the LDZ capacity and LDZ commodity charge would have to be increased commensurately.

Thus, for each CSEP invoice (specific to each shipper's logical meter at the CSEP), there would be up to 62 applicable LDZ charge rates (one for LDZ capacity and one for LDZ commodity, for each day), with the final charge comprising the same number of component charges; each of the possible 31 daily LDZ commodity charges being derived on the basis of each day's UDQO.

1.5 LDZ Charging Methodology - Application to CSEPs

In using SOQ as the basis for determining LDZ unit rates, the LDZ charging methodology uses analysis showing that there is a general relationship between a supply point's size and the extent to which it utilises the tiers of the LDZ network. However, utilisation of the LDZ network for any supply point does not change once built; similarly for a CSEP. There is therefore little justification for reflecting daily AQ increments downstream of the CSEP in the LDZ unit rates themselves.

Transco believes that extending the existing process used to calculate LDZ unit rates for CSEPs under Network Code Modification Proposal 0216 would be inappropriate, as it would not provide any meaningful signal in terms of improved cost-reflectivity; it would prove unnecessarily complex and burdensome in terms of data storage, transfer and retrieval, and would make invoicing and query management more costly for both Transco and shippers, thus adding unnecessary cost.

It is therefore proposed that the process by which LDZ capacity and LDZ commodity unit rates are calculated for CSEPs be modified in the manner set out below.

2. PROPOSAL

2.1 Use of End of Month CSAQ / SOQ

For CSEPs, the invoice charge creation process does not commence until the billing month is completed. It is therefore proposed that, for each CSEP, the CSAQ and SOQ values effective on the last day of the completed billing month (divided by the number of physical connections to Transco's system) be used to generate the relevant LDZ unit rates for that month's CSEP invoice.

2.2 Detail of Existing Methodology

In the calculation of LDZ charges for CSEPs, the unit capacity and commodity rates are based on a notional supply point capacity equal to the entire CSEP peak day load divided by the number of physical connections to Transco's system. This ensures that each shipper at a given CSEP will pay identical LDZ unit charges, regardless of the quantity of gas shipped. Thus, where a CSEP comprises both Daily Metered (DM) and NDM components, the CSAQ and CSEP SOQ values used to determine the applicable LDZ unit rates should in each case be the aggregate value for both DM and NDM components at the CSEP.

2.3 Scope of this Proposal