

Modification Proposal No: 0381

Short Title: Reduction in shipper tolerances used to calculate shippers ITQ

Date: 3rd February 2000

Proposed Implementation Date: 1st April 2000

Status: Urgent procedures requested

Reason for Urgency: 1st April implementation to be considered alongside Mod
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Justification

In their RGTA conclusions document Ofgem proposed a phased reduction in shipper ITQ tolerances. This took the form of a stepped reduction of 25 % starting on the 1st Oct 99 with a full reduction to zero on 1st April 2000. The original proposal to move to zero tolerances was to be mitigated by BG Transco developing a proposed physical linepack service where shippers would be able to purchase a tolerance. Without this service being in place, a reduction to zero is not considered feasible, but we do believe that there are benefits in a further reduction in tolerances from the 1st Oct 99 levels. In addition we believe it is desirable to specify further subsequent tolerance reductions in the Code to incentivise the Community to develop the appropriate services.

This modification proposes that shipper tolerances, which are used to calculate shippers ITQ, be reduced by a further 25 % from the original pre-October 1st levels on the 1st April 2000 as an interim step with further 25 % reductions 1st October 2000 and 1st April 2001. However this modification does not propose any change in the NDM forecast deviation tolerance.

It is our belief that this will:

- a) Provide an incentive for better shipper balancing performance.
- b) Reduce the ability of shippers to trade on tolerances, which could result in misallocation of balancing costs.
- c) Provide the necessary incentives for the Community to develop an appropriate linepack tolerance service.

Consequence of not making this change

There will be no increased incentives for shipper balancing on the 1st April 2000 with no associated reduction in balancing neutrality costs.

Area of Network Code Concerned: Section F

Nature of Proposal

Reduce shipper tolerances by a further 25 % on the 1st April 2000, with two further 25 % reductions 1st October 2000 and 1st April 2001.

Identity of Proposer's Representative: Steve Gordon

Proposer: Fred Attwater

Signature:

Company: ScottishPower, supported by PowerGen UK plc

Mod Panels Secretary Use Only

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