

Modification Report
Modification Reference Number - 0030
Top-Up and Margins Anomalies

This modification report is made pursuant to Rule 8.12 of the Modification Rules and follows the format required under Rule 8.12.4.

1. Circumstances Making This Modification Urgent

In accordance with Rule 9.2(a) Ofgas has agreed that this modification should be treated as URGENT because it ensures continued operation of the Flexibility Market until the Phase 1 flexibility cap is reached.

2. Procedures Followed

TransCo agreed with Ofgas (and has followed) the following procedures for this Proposal:

- 04/04/96 - Meeting held with Shippers.
- 11/04/96 - Draft proposal 0014 circulated.
- 17/04/96 - Representations received from Shippers.
- 18/04/96 - Modification Report 0014 to OFGAS.
- 07/05/96 - TransCo / OFGAS meeting.
- 15/05/96 - Formal OFGAS rejection of Modification 0014.
- 17/05/96 - Draft proposal 0030 agreed as Urgent by OFGAS.
- 17/05/96 - Draft proposal 0030 circulated.
- 24/05/96 - Modification Report 0030 to OFGAS.
- 1st April - Implement proposal.

3. The Modification Proposal:

For the purposes of calculating the monthly cap from 1st April 1996 under Phase 1 of the Network Code it is necessary for margins and Top-Up payments and receipts to be treated in an equitable manner.

4. Text provided pursuant to Rule 8.14:

Network Code text is as follows:

Transition Document Part II -

In paragraph 4.2.5 (a), insert (after "Basic Net Neutrality Amounts") the following;

"and in respect of days from 1st April 1996, the amounts referred to in paragraph 4.2.7".

Add a new paragraph 4.2.7 as follows:

"4.2.7 The amounts referred to in paragraph 4.2.5 (a) are the following amounts (which are comprised in Adjustment Neutrality Amounts pursuant to Section F4.5):

- (i) Daily Margins Recovery Amounts;
- (ii) amounts falling to be treated as additional Balancing Neutrality Adjustment Revenues by virtue of what is provided (under paragraph (4)) in respect of Section P5 in paragraph 8 of this Part II".

5. TransCo's opinion;

This modification corrects a Code drafting anomaly by allowing equitable treatment of Balancing Margins and Top-Up costs and revenues from 1st April 1996 under the Phase 1 cap. This facilitates the continuous operation of the Flexibility Mechanism until the cap is reached.

6. Extent to which the modification would better facilitate the relevant objectives;

The modification will ensure that relevant costs and revenues associated with the use of Balancing Margins and Top-Up costs will be included within the Basic Net Neutrality costs under the Phase 1 cap.

7. The implications for TransCo of implementing the Modification Proposal, including:

a) implications for the operation of System and any BG Storage Facility;

None

b) development and capital cost and operating cost implications

None

c) extent to which it is appropriate for TransCo to recover the costs, and proposal for the most appropriate way for TransCo to recover the costs;

It is not TransCo's intention to recover any costs that are incurred with respect to this modification.

d) analysis of the consequences (if any) this proposal would have on price regulation;

TransCo is not aware of any impacts on price regulation.

8. The consequence of implementing the Modification Proposal on the level of contractual risk to TransCo under the Network Code as modified by the Modification Proposal;

This modification will impact on the costs under the Phase 1 cap. Flexibility bids needed after the cap is reached will only be provided by BG Trading which are taken to have a bid price of the 30 day system average price.

9. The development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers;

TransCo is not aware of any impact on computer systems.

10. The implications of implementing the modification for Relevant Shippers

This modification will impact on the costs and revenues under the Phase 1 cap from 1st April 1996, thus facilitating the continued operation of the Flexibility Mechanism.

11. The implications of implementing of the modification for terminal operators, suppliers, producers and, any Non-Network Code Party;

Depending on requirements for beach gas, non-Network Code Parties (i.e. producers) may be impacted by continued operation of the Flexibility Mechanism.

12. Consequences on the legislative and regulatory obligations and contractual relationships of TransCo and each Relevant Shipper and Non-Network Code Party (if any), of the implementation of the Modification Proposal;

TransCo has not been informed of any consequences of the legislation and regulatory obligations and contractual relationships of implementing this proposed modification.

13. Analysis of any advantages or disadvantages of the implementation of the Modification Proposal;

- Advantages:-
- Corrects a Code drafting anomaly.
 - Assists in continued operation of the Flexibility Mechanism.
 - Produces a more representative month end system average price for cumulative month end imbalances due to extended use of the Flexibility Mechanism.
 - Ensures a more equitable allocation of costs and revenues from Balancing Margins and Top-Up costs under Phase 1 of the Network Code.

14. Summary of the representations (to the extent that the importance of those representations are not reflected elsewhere in the modification report;

Shipper representations on the previous modification proposal 0014 were mainly favourable as it would result in "more logical calculation of the flexibility cap" and removal of the Code drafting anomaly thus allowing for further operation of the Flexibility Mechanism. The modification was subsequently rejected because it would have been retrospective from the date of submission.

Three supportive representations were received on this modification 0030. AGAS offered support for the modification following evidence of a general improvement to the accuracy and timeliness of the information needed for balancing under the Network Code.

15. The extent to which the implementation is required to enable TransCo to facilitate compliance with safety or other legislation;

The modification is not required to facilitate compliance with safety or other legislation..

16. Having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement; furnished by TransCo under Standard Condition 3(1) of the Licence;

The modification is not required to comply with the above clause.

17. Programme of works required as a consequence of the implementation of the Modification Proposal;

Minor TransCo system changes will be required to Balancing Neutrality functionality.

18. Proposed implementation timetable;

The modification will be implemented for the determination of costs / revenues under the Phase 1 cap from 1st April 1996.

19. Recommendation for the implementation of the modification;

The modification is to be implemented to determine Neutrality costs from 1st April 1996.

20. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

21. TransCo Proposal

This Modification Report contains TransCo's proposal to modify the Network Code which TransCo has already received a direction from the Director General to make in accordance with this report.

Signed for and on behalf of British Gas TransCo.

Signature:



Date: 24/05/96

Name: Chris Train

Position: Energy Balancing Manager

Director General of Gas Supply Response

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct British Gas TransCo that the above proposal be made as a modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply.

name Signature: EILEEN MARSHALL

Date: 3/6/96

Signature Name: Eileen Marshall.

Position: DIRECTOR , REGULATION & BUSINESS AFFAIRS