**Final Modification Report**
**Modification Reference Number 0096**
**Exit Capacity Overruns from 1.10.96**

This Modification Report is made pursuant to Rule 9 (**Urgent**) of the Modification Rules and follows the format required under Rule 8.12.4.

**Foreword**

The legal drafting in this Final Modification Report differs from that detailed in Urgent Modification Proposal in one respect.

The charging of consecutive overruns has been modified at the request of Ofgas as follows. If an overrun occurred in November, December, January or February and an overrun occurs in a consecutive month, some or all of that overrun (the second overrun) will be charged using a multiplier of 0.5. The reduced multiplier only applies in respect of the overrun quantity charged using a multiplier of 2 (0.5 in November) and only gives relief for a single consecutive month.

## 1 Circumstances Making this Modification Urgent

In accordance with Rule 9.2(a), OFGAS has agreed that this modification proposal should be treated a URGENT in recognition of the necessity to adjust exit overrun charges incurred after 1st October 1996

## 2 Procedure and Timetable

| | | |
|---|---|---|
| 8th November | - | Modification Proposal submitted to OFGAS |
| 22nd November | - | Written Representation close out |
| 10th January | - | Final Modification Report to OFGAS. |
| | - | Implementation. |

## 3 The Modification Proposal

The NTS exit multipliers, as detailed in B3.6.3, will be revised as follows to be applied on a seasonal basis:

| Month | Relevant Multiplier |
|---|---|
| December to March | 2.0 (no change) |
| October, November, April, May | 0.5 |
| June to September | 0.2 |

## 4 TransCo's opinion

TransCo supports implementation of this modification.

## 5 Extent to which the modification would better facilitate the relevant objectives

This modification better supports TransCo in the discharge of its license obligations by reducing overrun charges to levels which are as low as possible whilst ensuring that the charges reflect the high cost of peak day capacity and provide an effective incentive for shippers to book capacity in line with security standards.

## 6 The implications for TransCo of implementing the Modification Proposal, including

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

TransCo is not aware of any such implications.

**b) development and capital cost and operating cost implications**

There are no development or capital costs implications. Overrun charges for October 1996 will be calculated manually and invoiced through the Ad-hoc invoice.

**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**

TransCo does not intend to recover any costs other than those provided for in the Transportation Statement.

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

TransCo is not aware of any consequences.

## 7 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

TransCo proposes that reduced capacity multipliers (& overrun charges) will give rise to sustainable charges and reduce contract risk.

## 8 The development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers

TransCo will be periodically required to input revised overrun charge rates to implement the revised multipliers. TransCo has not been made aware of any shipper system implications.

## 9 The implications of implementing the modification for Relevant Shippers

Shippers will receive lower capacity overrun charges for certain periods of the year.

## 10 The implications of implementing the modification for terminal operators, suppliers, producers and any Non-Network Code Party

TransCo is not aware of any such implications.

## 11 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 such consequences.

## 12 Analysis of any advantages or disadvantages of the implementation of the Modification Proposal

Advantages Shippers will be exposed to reduced exit overrun charges for certain periods of the year to reflect the lower value of off peak capacity

## 13 Summary of the representations, to the extent that the import of those representations are not reflected elsewhere in the modification report

Written representations have been received from **Accord Energy Ltd., Alliance Gas Ltd., Associated Gas Supplies Ltd., British Gas Trading Ltd., BP Gas Marketing Ltd., Eastern Natural Gas Ltd., Kinetica Ltd., Mobil Gas Marketing (U.K.) Ltd., Quadrant Gas Ltd.** and **Texaco Ltd.**
These are attached as Appendix 1.

The representations from **Alliance Gas Ltd., Associated Gas Supplies Ltd., BP Gas Marketing Ltd., Kinetica Ltd., Mobil Gas Marketing (U.K.) Ltd.** and **Quadrant Gas Ltd.** support the proposal. The representations from **Accord Energy Ltd., British Gas Trading Ltd., Eastern Natural Gas Ltd.** and **Texaco Ltd.** oppose implementation.

The representations from **Alliance Gas Ltd.** and **Associated Gas Supplies Ltd.,** although supportive, purport that portfolio discrepancies continue to be a significant cause of Exit overruns. Both suggest a lower multiplier for the forthcoming Winter period.
TransCo maintain that overrun charges are necessarily large as they have to reflect the high cost of peak day capacity and provide an effective incentive for shippers to book capacity in line with security standards. TransCo acknowledges that some exit overruns may result from genuine errors, portfolio discrepancies etc. and that in such cases charges should be as low as possible. However, the role of the multipliers to provide an effective incentive to book to security standards must not be undermined. As far as we can judge, maintaining a winter multiplier of 2 provides a reasonable incentive, given that 100% of peak day capacity is only expected to be fully utilised on one day during a period of 20 years.

**Eastern Natural Gas Ltd.** purport that the revised exit regime should mirror that proposed for entry.

TransCo maintain that the issues at entry and exit are different (and those differences are identified elsewhere in this report) and require individual treatment

**British Gas Trading Ltd.** do not support the proposal on the basis that changes to the exit multiplier regime could prejudice the development of a secondary market.

TransCo's response is that a multiplier of 2 is maintained for the winter period , encouraging shipper to book to meet their peak requirements. A pool of tradable capacity is best way to aid the development of a secondary market.

**Texaco Ltd.** do not support the proposal because of the "'double' charging" effect, where overruns could "occur at the end of one month and the beginning of the next month"

TransCo's response is that offtake information for gas consumed at DM Supply Points should be available to the shipper after the day. Entry close-out periods are considerably longer. Therefore, a shipper will be in possession of more information and in a much better position to enable it to correct its exit capacity position at short notice, than it would be for entry capacity. However, to reduce the financial impact of overruns that occur in consecutive months and are as a result of the same capacity deficiency, paragraph B3.6.4 has been introduced to reduce some or all of the charge in the second month.

The issues raised in the representation received from **Accord Energy Ltd.** are generic to Modifications 094, 095 and 096 and are recorded in Section 14 of Modification 094

## 14 The extent to which the implementation is required to enable TransCo to facilitate compliance with safety or other legislation

This Modification is not required to facilitate compliance with Safety or other legislation.

## 15 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

This Modification is not required to comply with this clause.

## 16 Programme of works required as a consequence of the implementation of the Modification Proposal

This modification does not require any works other than amendment to Network Code text and amendment to TransCo internal procedures.

## 17 Proposed implementation timetable

This modification will be implemented as soon as practicable after OFGAS approval.

## 18 Recommendation for the implementation of the modification

TransCo recommends that this modification is implemented as soon as practicable after OFGAS approval.

## 19 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.

## 20 TransCo Proposal

This Modification Report contains TransCo's proposal to modify the Network Code and TransCo now seeks a direction from the Director General in accordance with this report.

**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.

Signature:

Date:

Name:
Position:

The network code is hereby modified, with effect from , in accordance with the above proposal.

Signature:
Secretary Modification Panel
British Gas TransCo

## ANNEX

**Restrictive Trade Practices Act - Suspense Clause**

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

1. Suspense Clause

1.1 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:

(i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") within 28 days of the date on which the Agreement is made; or

(ii) if, within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.

**APPENDIX 1**

**Representations from:**

**Accord Energy Ltd.**

**Alliance Gas Ltd.**

**Associated Gas Supplies Ltd.**

**British Gas Trading Ltd.**

**BP Gas Marketing Ltd.**

**Eastern Natural Gas Ltd.**

**Kinetica Ltd.**

**Mobil Gas Marketing (U.K.) Ltd.**

**Quadrant Gas Ltd.**

**Texaco Ltd.**