

URGENT MODIFICATION PROPOSAL: 0095

SHORT TITLE: Entry Capacity Overruns from 1.10.96

DATE: 8 November 1996

PROPOSED IMPLEMENTATION DATE: 1 October 1996

URGENCY: Urgent

JUSTIFICATION: The NTS entry overrun charge regime imposes a charge equal to twice the annual capacity charge and, in the case of NTS peak storage entry points, of twenty times the annual capacity charge.

Capacity 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.

During the early months of Network Code there were numerous examples of overrun charges as a consequence of procedural or administrative errors as opposed to decisions by shippers to underbook capacity. TransCo has met with the industry to discuss these problems and has written to all shippers explaining the need for controls to avoid a recurrence of charges. In the case of overruns arising because of error by a CVA agent, a separate modification is proposed to extinguish the capacity overrun both retrospectively and prospectively (for a period to be defined). In all other cases, instances of error by a shipper and its supplier or agents do not provide grounds for disputing overrun charges. This is necessary because it is difficult, and sometimes impossible, to distinguish between genuine error and underbooking decisions.

The need to sustain high overrun charges which, in some cases, may result from genuine errors, requires that we ensure that the charges are as low as possible whilst still providing an effective incentive to book to security standards.

This proposal is made in light of discussions with the industry, a meeting of the standing Multiplier Review Group (the meeting note and a one representation are attached) and, most recently, discussions with Ofgas. In addition, a number of shipper representations under modification proposal 0094 expressed views which are relevant to this proposal.

CONSEQUENCE OF NOT MAKING THIS CHANGE: Overrun charges may be levied for amounts which are larger than required to incentivise capacity booking to security standards.

AREA OF NETWORK CODE CONCERNED: B2.6

NATURE OF PROPOSAL: The NTS entry multipliers, as detailed in B2.6.3, will be revised as follows to be applied on a seasonal basis:

<u>Month</u>	<u>NTS Entry Points</u>	
	<u>Peak Storage</u>	<u>Other</u>
October to May	5.0	0.5
June to September	0.2	0.2

In the winter period, from October to March inclusive, TransCo will, in addition to levying the overrun charges above, book a quantity of capacity (a "ratchet" tranche) on the shippers behalf, to the same quantity as used to calculate the overrun charge. This booking will be for a period of 12 months, commencing on the first eligible booking date after the overrun charge has been determined.

If, in the period between the first of the month following the overrun month and the commencement date of the ratchet tranche, further overruns occur, they will be offset by the level of the overrun quantity in previous month(s).

Where there is small overrun, (less than [15,000kWh]), the overrun charge will apply but the ratchet tranche of capacity will not be booked. Consequently, such overruns cannot be used to offset overruns in subsequent months.

In adopting this, overrun charges in winter are divided into two elements, 1) an overrun charge and, 2) a tranche of usable or tradable capacity recorded on AT_LINK.

PROPOSED TEXT:

Principal Document, Section B

Amend paragraph 2.6.1 to read as follows:

"2.6.1 exceeds the User's Available System Entry Capacity:

- (a) the User shall pay a charge ("System Entry Overrun Charge") in respect of System Entry Capacity at that Aggregate System Entry Point in that month (and where paragraph 2.6.3 applies until the entry ratchet date); and
- (b) where the overrun month is a month from October to March (inclusive), and the amount of the overrun quantity is not less than 15,000kWh (*[] therms*), paragraph 2.6.3 shall apply."

Insert a new paragraph 2.6.3 as follows:

"2.6.3 Where this paragraph 2.6.3 applies:

- (a) the User shall automatically be registered, with effect from the first Eligible Capacity Registration Date which falls not less than [] Days after the Entry Close-out Date in respect of the overrun month (the "**entry ratchet date**"), as holding additional System Entry Capacity at the Aggregate System Entry Point in an amount equal to the chargeable overrun quantity, which amount shall be a separate tranche (with a capacity period of 12 months) of System Entry Capacity for the purposes of paragraph 2.2;
- (b) in determining the overrun quantity in respect of any subsequent overrun day, from the 1st Day of the month following the original overrun month until the entry ratchet date, the amount of the User's Available System Entry Capacity shall be deemed to be increased by an amount equal to the chargeable overrun quantity (in respect of the original overrun month)."

Delete old paragraph 2.6.3 and replace with the following:

"2.6.4 The System Entry Overrun Charge shall be calculated as the amount of the chargeable overrun quantity multiplied by the relevant multiplier (determined as set out below by reference to the Aggregate System Entry Point and the overrun month) of the Applicable Annual Rate of the System Entry Capacity Charge:

<u>Relevant multiplier</u>	<u>Overrun month</u>	
	<u>October to May</u>	<u>June to September</u>
<u>Aggregate System Entry Point</u>		
Peak Storage connection point	5.0	0.2
All other points	0.5	0.2"

Renumber paragraphs 2.6.5 and 2.6.5 as 2.6.5 and 2.6.6

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MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number: 0095

Date Received