

Modification Report
Modification Reference Number 0101
Balancing Margins Flexibility Bids

This modification report is made pursuant to Rule 9 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 the potential cold weather demand at times during this winter has been above the projected maximum beach availability and Balancing Margins Flexibility Bids could have been called upon.

2. Procedures Followed

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

14th November	-	Modification proposal to Ofgas
24th November	-	Ofgas agreed as Urgent
16th December	-	Representations close out
20th December	-	Modification report to Ofgas

3. The Modification Proposal:

Balancing Margins gas will be placed on the Flexibility Mechanism bid list as a System Buy at the highest Top-up price and will be utilised in price order (but after Top-up at the same price) by TransCo to meet a National or Localised Requirement in accordance with the relevant Operational Guidelines hierarchy. It is proposed that Balancing Margins are posted using Network Code provisions similar to those relating to Top-Up Bids.

4. TransCo's opinion:

The placement of Balancing Margins Bids on the flexibility mechanism bid list is specified in the Operational Guidelines and was allowed for in the Transition Document for the period 15th March 1996 to 30th April 1996. This followed agreement of Modifications 0012 and 0015 to the Network Code which allowed TransCo to utilise Balancing Margins Gas where it may have otherwise accepted Flexibility Bids at prices exceeding the Top-up Bid price. A modification to the Code is necessary to support TransCo's obligations under the Operational Guidelines by providing a commercial mechanism for bringing Balancing Margins Gas on-line.

5. Extent to which the modification would better facilitate the relevant objectives:

This modification will allow TransCo to place Balancing Margins Bids on the Flexibility Mechanism bid list.

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

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

The use of Balancing Margins Gas is an important part of the Operational Guidelines. This modification proposal will provide consistency between the Code and the agreed Guidelines.

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:

Not applicable.

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

TransCo is not aware of any impact on price regulation.

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:

This modification proposal provides consistency between the Code and the agreed Operational Guidelines. Consequently, the level of contractual risk to TransCo remains unchanged.

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

TransCo is not aware of any such implications.

9. The implications of implementing the modification for Relevant Shippers:

In support of the Operational Guidelines this modification proposal will reduce the likelihood of flexibility bids above the Top-up price being accepted and will therefore reduce Shippers' exposure to extreme cashout prices. TransCo does not envisage any additional system or operational costs as a result of this modification.

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

TransCo is not aware of any impact on terminal operators, suppliers, producers or any Non-Network Code Party.

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 consequences on the legislative and regulatory obligations and contractual relationships of implementing this modification.

12. Analysis of any advantages or disadvantages of the implementation of the Modification Proposal:

Advantages - the proposal makes the Code consistent with the Operational Guidelines by allowing Balancing Margins Gas to be brought on-line through a commercial mechanism

13. Summary of the representations (to the extent that the import of those representations are not reflected elsewhere in the modification report:

7 representations were received of which 5 were in general support.

In response to BGT's representation, TransCo would like to point out that the proposal is intended to be effective during the period for which balancing margins is operational. At present this covers winter 1996/97.

Eastern's concerns are presently being addressed by the Operational Guidelines work group. This modification proposal is aimed at bringing the Code into line with current Operational Guidelines' procedures in respect of the utilisation of Balancing Margins gas on the system.

TransCo recognises United's concern of higher SAP prices resulting from this proposal, but would like to point out that balancing margins flexibility bids provide a further cap to the mechanism which could offer further protection against higher imbalance charges.

14. 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.

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:

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

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

No programme of works is considered necessary.

17. Proposed implementation timetable:

The modification will be implemented immediately following receipt of Ofgas' direction.

18. Recommendation for the implementation of the modification:

This modification should be implemented to ensure compliance with the agreed Operational Guidelines by providing a commercial mechanism for bringing Balancing Margins Gas on-line.

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.

21. Text provided pursuant to Rule 9

Transition Document Part II paragraph 8

Section P

Amend what is provided in respect of Section P5 (without prejudice to its former application in relation to the Storage Year 1995/96), so as to apply in respect of the Storage Year 1996/97, as set out below.

Delete paragraph (1) and replace with the following:

- "(1) In the Storage Year 1996/97, in addition to Top-Up Flexibility Bids made pursuant to Section P5, the Top-up Manager will utilise Balancing Margins to make separate Top-up Flexibility Bids (and where applicable Top-Up Flexibility Bids under Section P5.2.5) in relation to the Storage Connection Point of the Rough Facility (such bids being "**Balancing Margins Flexibility Bids**"),"

In paragraph (2), delete paragraph (iii) and replace with the following:

- "(iii) for the purposes of Section P5.2.4, references to the Top-up Bid Price shall be to the highest Top-up Bid Price in respect of any Top-up Storage Facility for the relevant Day."

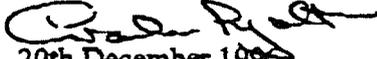
In paragraphs (3) and (4), replace "Top-up Flexibility Bids" with "Balancing Margins Flexibility Bid".

Amend paragraph (4) to begin "In relation to Balancing Margins Flexibility Bids, in lieu of"

Add a new paragraph (5) as follows:

"(5) TransCo will accept a Top-up Flexibility Bid before accepting a Balancing Margins Flexibility Bid having the same Bid Price as such Top-up Flexibility Bid"

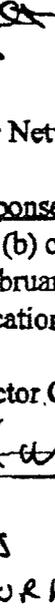
Signed for and on behalf of British Gas TransCo.

Signature: 
Date: 20th December 1996
Name: Dr. J.F. Lockett
Position: Commercial Manager Network Code

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: 20/12/96
Name: KYRAN HANKS
Position: HEAD OF NETWORK OPERATIONS

The network code is hereby modified, with effect from ~~dd/mm/yy~~, in accordance with the above proposal.

23/12/96

Signature: 
Secretary Modification Panel
British Gas TransCo

British Gas TransCo
Network Code Modification Report

Modification Ref 0101

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.