

Modification Report
Modification Reference Number 0106
Inter Shipper Adjustments re: August Allocations at Bacton and St. Fergus

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 some gas allocations for August 1996 at Bacton and St Fergus are inconsistent with the invoiced quantities used by suppliers.

2. Procedures Followed

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

Claims Validation meeting with shippers	-	5th November 1996
Modification Proposal submitted to Ofgas	-	4th December 1996
Modification Proposal agreed as Urgent by Ofgas	-	18th December 1996
Representations received from Shippers	-	6th January 1997
Report to Ofgas	-	8th January 1997

3. The Modification Proposal:

As agreed at the Claims Validation meeting with Shippers on 5th November 1996, the CVA's are providing TransCo with revised allocation figures for each day in August for the affected terminals. TransCo can compare these figures with the original allocations used in the August Energy Balancing Invoice. Where there is a difference, Users will receive an ad-hoc invoice for either a debit or credit.

$(\text{Initial UDQI Volume in kWh}) + (\text{Revised Allocation Volume (incl. UGF) for Bacton/St. Fergus in kWh}) - (\text{Initial Allocation Volume (incl. UGF) for Bacton/St. Fergus in kWh}) = \text{New UDQI.}$

Using a spreadsheet TransCo will rerun the daily cash out calculations using the relevant daily system prices. The spreadsheet will recalculate the Shipper tolerances for August using the revised UDQIs. However, the revised allocations will not affect the calculation of Shippers' imbalances tolerances for the following month, nor the calculation of August Balancing Neutrality charges.

Also agreed at the Claims Validation meeting, any scheduling and overruns charges which were incurred as a result of the allocation error will be refunded. There will be no new scheduling or capacity overrun charges from the revised allocations. Input UGF quantities for these terminals will not be reopended. Recalculation of charges associated with UGF quantities for the period April-August 1996 inclusive is currently the subject of discussion by review group 0075 and it is expected that this will result in them being charged at SAP.

In accordance with the principle established within modifications 41 and 64, all corrections to imbalance cashouts (and scheduling charges) will be allocated through Balancing Neutrality in the Energy Balancing Invoice which is issued at the same time as the corrections to individual shippers. The legal drafting includes text to ensure that all such adjustments will be allocated through Neutrality in the same month as the adjustment is made. For this modification proposal the net cost to neutrality is expected to be low because most of the transfer of allocation will be calculated at the SAP price on the day.

4. TransCos opinion:

In August a number of allocations were incorrect at close-out due to insufficient processing time at the Bacton sub-terminals and at St. Fergus. At Bacton the Claims Validation Agent was unable to process the large numbers of revised claims despite the extension of close-out to M+18. At the time TransCo, Ofgas, Users and the CVA discussed the issue and agreed that close-out should be effected. It was further agreed that the industry would meet at a later date to discuss the issues surrounding the CVA problems and propose a modification to allow adjustments for August. The CVA's are subsequently rerunning the allocations for August and are providing the revised figures to TransCo.

This modification proposal will allow adjustments to be made to Shipper invoices in line with the rerun CVA allocations for August at Bacton and St. Fergus.

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

This modification proposal would enable the rerun CVA allocations for August at Bacton and St. Fergus to be used to recalculate Shipper invoices for August 1996.

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

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

This modification proposal is retrospective and does not impact on system operations.

b) development and capital cost and operating cost implications

This modification proposal would require the recalculation of Network Code charges and hence place additional operational costs on TransCo.

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;

The increased operational costs on TransCo due to implementing this proposal would not be recoverable.

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

TransCo is not aware of any impacts 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;

TransCo is not aware of any increased contractual risks as a consequence of implementing this proposal.

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

This modification proposal would not impact on computer systems as the process would be manual.

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

Some Users will have been allocated less gas than they have been invoiced by their supplier, whilst others will have been allocated more. Imbalance, scheduling and capacity overrun charges have been calculated on the basis of the M+18 close out date.

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 implications for terminal operators, suppliers and producers. The CVA's are providing the revised August allocations figures for Bacton and St Fergus.

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;

This modification proposal is retrospective and does not impact on the legislative and regulatory obligations and contractual relationships of TransCo, Shippers and Non-Network Code parties.

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

Advantages - This modification proposal will ensure a refund or recharge for Users affected by any over or under allocation of entry gas for August 1996 at Bacton and St. Fergus.

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

Four representations were received from Shippers all in support of the modification proposal.

Agas commented on the proposal to waive any revised scheduling and capacity charges resulting from the revised allocations. Whilst recognising Network Code procedures, Shippers and TransCo agreed at the Claims Validation meeting not to implement any new charges resulting from the rerun allocations for August.

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

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

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

- Revised allocations received from the CVA's
- Rerun of Network Code charges as detailed in this report and submit for invoicing.

17. Proposed implementation timetable;

Subject to the above programme of works, it is envisaged that all charge adjustments associated with this modification proposal will be included within the January 1997 invoices.

18. Recommendation for the implementation of the modification;

TransCo recommends that this modification proposal is implemented in accordance with the above timetable.

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 TransCos 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

Insert under Section E:

- E2.1.3 (1) For Gas Flow Days in August 1996, if the same person was appointed by all Users as User Agent in relation to a System Entry Point pursuant to Section E2.2, Users may arrange for such User Agent to submit, not later than 20th December 1996, to TransCo revised Entry Allocation Statements in respect of such System Entry Point, in accordance with and subject to Section E2.1.3, but notwithstanding that the Entry Close-out Date is passed.
- (2) Such revised statements will not take effect as Entry Allocation Statements, and accordingly relevant charges will be determined and invoiced by reference to the Entry Allocation Statements submitted by the Entry Close-out Date; but separate adjustments will be made pursuant to paragraph (3).
- (3) TransCo will determine, as nearly as may be, for all Users and for each Day in August 1996;
- (a) the quantities which would have been each User's UDQIs, Daily Imbalance and Net Cumulative Imbalance, on the basis of such revised statements;
- (b) the amounts which would have been payable, by reference to the UDQIs, Daily Imbalances and New Cumulative Imbalances under paragraph (a), by way of;
- (i) Daily Imbalance Charges and (subject to paragraph (4)) Cumulative Imbalance Charges;
- (ii) where this would result in a reduction or elimination of such a charge payable as described in paragraph (2), but not otherwise, Input Scheduling Charges and System Entry Overrun Charges;
- and will make corresponding adjustments, to be invoiced in accordance with Section S, by reference to the amounts determined and invoiced as described in paragraph (2).
- (4) No revision shall be made pursuant to paragraph (3) in respect of the calculation of Cumulative Imbalance Tolerance Quantities in respect of any Day after 31st August 1996.
- (5) Revised statements submitted under paragraph (1) may state quantities on an aggregate basis for all System Entry Points in an Aggregate System Entry Point, in which case:

- (a) under paragraph (3)(a), the aggregate of a User's UDQIs for all such System Entry Points will be determined;
- (b) no adjustment to any Unauthorised Gas Flow will be made, or taken into account in any determination made, under paragraph (3).

Principal Document, Section S

Insert a new Section S1.10 as follows:

"1.10 Adjustment neutrality

Where any Energy Balancing Charge has been invoiced and, upon the resolution of an Invoice Query or pursuant to paragraph 1.8.1 or (unless expressly otherwise provided) following a Code Modification or otherwise, any adjustment is subsequently made in respect of such Energy Balancing Charge, any amount payable by TransCo to a User or by a User to TransCo pursuant to such adjustment shall be:

- (i) except as provided in paragraph (ii), an additional Monthly Adjustment Neutrality Cost, or (as the case may be) an additional Monthly Adjustment Neutrality Revenue for the purposes of Section F4.5.3(a) or (b),
- (ii) where the relevant Energy Balancing Charge was a Reconciliation Clearing Charge or a Reconciliation Neutrality Charge, an additional Adjustment Reconciliation Neutrality Cost or (as the case may be) additional Adjustment Reconciliation Neutrality Revenue for the purposes of Section F6.5(a) or (b) (applying pursuant to Section F6.1.2(i) or (ii), as appropriate),

in respect of the month in which the amount of such adjustment was determined."

Principal Document, Section F

Amend Section F1.4.7 to read:

"...in the month in which such amounts are determined."

Delete "6.5.1" at the start of Section F6.5.

In Section F6.5(a) add a new paragraph (v) as follows and move "and" from the end of paragraph (iii) to the end of paragraph (iv):

- "(v) any other amount (an "**additional Adjustment Reconciliation Neutrality Cost**") provided to be included in this paragraph (a) in relation to month m under any provision of the Code;"

In Section F6.5(b) add a new paragraph (iv) as follows and move "and " from the end of paragraph (ii) to the end of paragraph (iii):

"(iv) any other amount (an "**additional Adjustment Reconciliation Neutrality Revenue**") provided to be included in this paragraph (b) in relation to month m under any provision of the Code."

Principal Document, Section E

Amend Section E3.6.2(iii) to read:

"... will be additional Adjustment Reconciliation Neutrality Costs for the purposes of Section F6.5(a)"

Principal Document, Section G

Amend Section G1.14.2 to read:

".....in the month in which such amounts are determined."

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Signed for and on behalf of British Gas TransCo.

Signature: *Graham Ryott*
Date: 8/1/96
Name: Graham Ryott
Position: Gas Trading Development Manager

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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: *S.J. Peters*
Date: 14/1/97
Name: SUSAN PETERS
Position: Manager, Supply Regulation

15 January 1997

The network code is hereby modified, with effect from ~~14/1/97~~ *15 January 1997*, in accordance with the above proposal.

Signature: *[Handwritten 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.