



28 February 1997

Direct Dial: 0171-932-1681

Our Ref :

Your Ref :

Dear sir/madam

Modification proposal 120: Amendment to Unauthorised Flow Modification 0075

Ofgas has accepted this modification proposal.

Ofgas is in agreement with shippers and Transco who have said that the simplified method of recalculating Energy Balancing invoices established by modification 106 is not appropriate in cases where the amount of money involved is as great as this. In this case the simplified adjustment process could give a result many millions of pounds different from what was intended.

Yours sincerely

A handwritten signature in black ink that reads "Peter Lambert".

Peter Lambert

Regulation and Business Affairs



**Urgent Modification 120
Decision
Amendment to Unauthorised Gas Flow Modification 0075**

Present Position

Modification 0075 cancelled charges for Unauthorised Gas Flows (UGFs) during the period from April to September 1996. As with most retrospective changes to shippers' neutrality charges, the modification allowed for changes to be made to the neutrality charge for the month in which the modification is accepted.

Shippers received the revenue from UGFs through their neutrality invoices during the summer. Modification 0075 means that they would have to pay back the money through their neutrality invoices for January.

Neutrality payments are based on throughput during each month. Therefore the amount to be paid under 0075 will not necessarily match the amount which was received from UGFs. Shippers with weather sensitive loads would be likely to pay more than they received while those with flatter loads would be likely to pay less.

Proposal

Modification proposal 0120 causes the neutrality charges resulting from the cancellation of UGFs to be made as adjustments to the neutrality invoices for the months in which the UGFs arose. The effect of this modification is that smeared charges for UGFs are the same as smeared revenues from UGFs for each shipper.

Decision

Ofgas has accepted this modification proposal.

Ofgas is in agreement with shippers and Transco who have said that the simplified method of recalculating Energy Balancing invoices established by modification 106 is not appropriate in cases where the amount of money involved is as great as this. In this case the simplified adjustment process could give a result many millions of pounds different from what was intended.

Possible impact on customers

We do not anticipate any direct impact on customers of any size from the acceptance of this modification.

Further Information

Modification decision date: 28 February 1997

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Transco contact: Graham Ryott (Tel: 0121-623 2599)