

Final Modification Report
Modification Reference Number 0120
Amendment to Unauthorised Flow Modification 0075

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 it is intended to implement Modification 0075 in time for the February 1997 invoices.

2. Procedures Followed

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

Modification Proposal agreed as Urgent by Ofgas	-	3rd February 1997
Representations received from Shippers	-	21st February 1997
Modification Report to Ofgas	-	25th February 1997

3. The Modification Proposal:

Modification 0075 enabled the retrospective recalculation of UGF charges for the period 1 April 1996 to 31 August 1996. The accepted text, in line with other modifications, allows for any adjustments to neutrality costs to be made in respect of the month in which the adjustments are determined by Transco. Since the intention of the modification was to effectively adjust shippers positions to near to where they would have been had UGF charges not been inappropriately applied, any adjustments should also be made on this basis. It is therefore proposed that any neutrality adjustments established from Modification 0075 be based on throughput during the invoice month to which they relate, rather than based on throughput in the adjustment month.

4. Transcos opinion:

Modification 0075 is intended to recalculate UGF charges on the basis of daily or month end SAP and enable Shipper's to recover their neutrality position to near the levels which would have existed if Unauthorised Gas Flow charges had not been applied.

The text for Modification 0075 allows for the recovery of neutrality adjustments arising out of the recalculation of UGF charges in the month in which the adjustments are made. This neutrality principle, also confirmed in Modification 0106, was agreed in order to minimise the costs to the industry of apportioning neutrality adjustment costs.

Transco believe that, due to the magnitude of the sums involved with Modification 0075, it is appropriate in this case to apportion neutrality adjustments based on throughput during the

month to which they relate. This will provide a fair and equitable treatment of the UGF adjustments agreed under Modification 0075.

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

In Transco's opinion this modification would not better facilitate the relevant objectives.

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 is retrospective and does not impact on System operation.

b) development and capital cost and operating cost implications

This modification proposal amends the apportionment of neutrality adjustments arising from Modification 0075 in order to take account of the throughputs in the months in which the adjustments are determined. This places 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:

It is not intended that Transco recovers the operational costs associated with this Modification proposal.

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 to calculate neutrality adjustments from Modification 0075 does not impact on computer systems as the process would be manual.

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

This Modification Proposal enables the neutrality sums arising from the recalculation of UGF charges under Modification 0075 to be applied through neutrality on the basis of the Shippers throughputs during the invoice month to which they relate.

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, producers and 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:

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 - Shippers will receive neutrality adjustment payments resulting from the application of Modification 0075 in proportion to their throughputs during the months to which the adjustments relate, rather than against the throughputs in the month in which the adjustments are calculated.

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

Representations were received from BGT, Eastern, Alliance, Quadrant Mobil and Agas, all in support of the Modification Proposal. Copies of these representations are attached to this Modification Report.

Transco Response

As highlighted elsewhere in this Modification Report, and by BGT in their representation, the principle established in Modification 0106 to allocate neutrality adjustments in the month that the adjustment is made was agreed in order to keep the costs of recalculation low. This principle is not compromised by this Modification Proposal since the neutrality sums involved from Modification 0075 are significant and it is appropriate in this instance to apportion the costs to reflect Shipper throughputs during the months to which the adjustments relate.

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

This 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;

As detailed under Modification 0075, the following programme of works is envisaged for the recalculation of UGF charges;

- Identify sites affected by portfolio inaccuracies
- Compare the above with records of UGF EBI disputes
- Recalculate UGF charges for each shipper for each month
- Calculate neutrality adjustments
- Submit ad-hoc invoices

It is envisaged that this process will require 6 weeks to complete, although this period could be reduced to four weeks following receipt of all nominations, if shippers wish to nominate misallocated sites to Transco.

17. Proposed implementation timetable;

This Modification Proposal would allow the adjustments made under the above programme of works to be included within the February 1997 invoices.

18. Recommendation for the implementation of the modification;

Transco recommends that this modification 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.

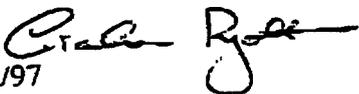
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21. Text provided pursuant to Rule 9

Transition Document Part II, paragraph 8

E4.2.2(3) (b) amounts paid by or to Transco pursuant to such adjustments will be additional Monthly Adjustment Neutrality Costs or (as the case may be) additional Monthly Adjustment Neutrality Revenues in respect of the month in which such adjustments relate.

Signed for and on behalf of British Gas Transco.

Signature: 
Date: 25/02/97
Name: Graham Ryott
Position: Gas Trading Development Manager

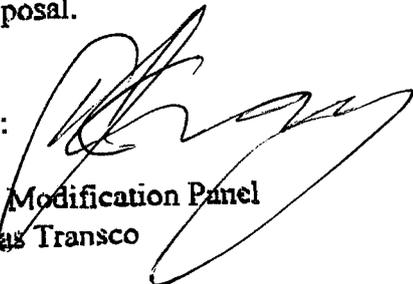
Director General of Gas Supply Response

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: 28/2/97
Name: M. E. Goss
Position: MANAGER, NETWORK OPERATIONS

The network code is hereby modified, with effect from ~~date~~, in accordance with the above proposal.
1st MARCH 1997.

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.