

## **Modification Proposal**

**Short Title :** Retrospective removal of input UGF at sub-terminals when negative SMP sell prices are set.

**Date:** 7 September 1998

**Target date for implementation :** Immediately / retrospectively

**Urgency:** Non-urgent

### **Justification :**

Under modification 232, Transco recognised that the risk of input UGF penalties does not provide a strong incentive for accurate sub-terminal nominations. They also commented that unpicking historical UGF charges would require considerable resources.

Under input UGF charges, a shipper is exposed to the differential between the SMP sell price and the SAP or SMP Buy price, depending on the size of the unauthorised flow relative to the shipper's portfolio. Usually, this differential will be small or even zero. However, when negative SMP sell prices were set, a level of penalty was created out of all proportion to any damage or loss caused or costs incurred.

### **Consequence of not making this change :**

Shippers remain penalised excessively and charged inappropriately.

### **Area of Network Code Concerned:**

Principal Document Section C.

### **Nature of Proposal:**

On a day when a negative SMP sell price is set, and a user has incurred incremental input UGF and associated imbalance charges in excess of £5,000 arising from the failure to enter a zero nomination at one or more System Entry Points, then Transco shall on the User's request revise such input allocations as if zero nominations had been made at the relevant System Entry Point(s), for the purposes of removing input UGF and recalculating associated imbalance charges.

### **Purpose of Proposal:**

To correct input UGF and imbalance charges when significant and inappropriate.

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