29 February 2000

To: Shippers, Panel Members & Non-Network Code Parties

Dear Colleague,

NOTICE OF IMPLEMENTATION
MODIFICATION PROPOSAL No: 0382
"Revision to Capacity Incentive Arrangements"

Please note that The Final Modification Report, Version 2.0 was signed by Ofgem on 28 February 2000 for Modification Proposal No: 0382

With effect from 06.00 hours on 1 April the new Network Code text resulting from this Modification is detailed below.

Modified Text:

SECTION B: SYSTEM USE AND CAPACITY

Amend paragraph 2.11.3 (a) to read as follows:

"….

$$(ARCC - ACIC) - (ARCR - ACIR + TMA)$$

….

TMA   is the Transco Monthly Amount

….".

Add new paragraph 2.11.3(e), (f),(g) and (h) to read as follows:

"(e)   the "**Transco Monthly Amount**" is:

$$((A + B * 0.2) * (X / 100 + X))$$

where:

A   is the aggregate amount of System Entry Capacity Charges payable by Users in respect of Monthly System Entry Capacity allocated for the calendar month in accordance with paragraph 2.3;

B   is the aggregate amount of System Entry Capacity Charges payable by Users in respect of Monthly System Entry Capacity allocated for the calendar month in accordance with paragraph 2.4; and

X is, in respect of all Aggregate System Entry Points, that percentage, by which the aggregate Determined System Entry Capacity for all Aggregate System Entry Points exceeds the System Normal Demand;

(f) the "**Capacity Under-recovery Amount**" is the amount (if any) by which the Transco Monthly Amount exceeds the Aggregate Capacity Incentive Revenues;

(g) the "**Capacity Recovery Amount**" is the amount (if any) by which the Aggregate Capacity Incentive Revenues exceeds the Transco Monthly Amount; and

(h) the "**Aggregate Capacity Incentive Revenues**" is the sum of the Capacity Incentive Revenues for all Aggregate System Entry Points.".

Amend paragraph 2.11.5(a)(i) and (ii) to read as follows:

"….each Aggregate System Entry Point and each calendar month in respect of which there is a Capacity Recovery Amount, Transco shall pay to each relevant User….

(i)….

$$ ACRA \ * \ URC \ / \ ARC $$

where:

ACRA is the ASEP Capacity Recovery Amount

….

(ii)….

$$ ACRA \ * \ AURC \ / \ AARC $$

where:

ACRA is the ASEP Capacity Recovery Amount;

….".

Add new paragraph 2.11.5(c) to read as follows:

"(c) an Aggregate System Entry Point and a calendar month the "**ASEP Capacity Recovery Amount**" is;

$$ CRA \ * \ CIR \ / \ ACIR $$

where:

CRA is the Capacity Recovery Amount;

CIR are the Capacity Incentive Revenues in relation to the Aggregate System Entry Point; and

ACIR are the Aggregate Capacity Incentive Revenues.".

Amend paragraph 2.11.7 to read as follows:

"….Capacity Cost Neutrality Charges, Capacity Neutrality Adjustment Charges and Annual ASEP Capacity Under-recovery Charges shall be invoiced and payable in accordance with Section S.".

Add a new paragraph 2.11.10 to read as follows:

"In respect of a calender month for which there is a Capacity Under-recovery Amount, each relevant User shall pay Transco, in respect of each Aggregate System Entry Point at the User held Registered Monthly System Entry Capacity for the calender month, an amount ("**Annual ASEP Capacity Under-recovery Charge**") determined as:

$$ACURA \ * \ URC \ / \ ARC$$

where:

ACURA   is the ASEP Capacity Under-recovery Amount;

and 'URC' and 'ARC' have the meanings in paragraph 2.11.5(a)(i) in relation to the calender month"

Add new paragraph 2.11.11 to read as follows:

"For the purposes of paragraph 2.11.10, in relation to an Aggregate System Entry Point in respect of a Gas Year the "**ASEP Capacity Under-recovery Amount**" is:

$$CURA \ * \ CIR \ / \ ACIR$$

where:

CURA   is the Capacity Under-recovery Amount for the calender month,

and 'CIR' and 'ACIR' have the meanings in paragraph 2.11.5(c)"

SECTION S: INVOICING

Add new paragraph 2.4.7 to read as follows:

"Transco will by not later than 31st December in a Gas Year submit (as an Ad-hoc Invoice) an Invoice Document in relation to each month in the Preceding Year in respect of which amounts are payable to Transco pursuant to Section B2.11.10"

TRANSITION DOCUMENT PART II, PARAGRAPH 8

Add new paragraph 8.10.4 to read as follows:

"B2.11 (1)   For the purposes of April 2000 and the calculation of amounts to be retained or borne by Transco pursuant to Section B2.11, the provisions of Section B2.11 that applied immediately prior to the time the modification giving effect to this paragraph was effective shall be held to continue to apply, subject to the provisions of paragraphs (2), (3) and (5).

(2)   For the purposes of this paragraph 8.10.4 of this Part II:

    (a)   the "**Transco Interim Amount**" is the sum of the Transco Monthly Amount for April 2000;

    (b)   the "**Interim Relevant Capacity Incentive Revenues**" are

$$IRCR \; * \; 0.2$$

    where IRCR is the Relevant Capacity Revenues for April 2000;

    (c)   the "**Interim Amount**" is an amount equal to the lesser of:

        (i)   the sum of Transco Interim Amount and the Interim Relevant Capacity Incentive Revenues; and

        (ii)   £416,666

    less the Interim Relevant Capacity Incentive Revenues.

(3)   Each relevant User shall pay Transco an amount ("**Interim Charge**") calculated as:

$$AIA \; * \; HAURC \; / \; HAARC$$

where:

    AIA   is the ASEP Interim Amount;

    IAURC   is, in respect of the Aggregate System Entry Point for April 2000, the aggregate of the User's Registered Monthly System Entry Capacity; and

    HAARC   is, in respect of the Aggregate System Entry Point for April 2000, the aggregate of all User's Registered Monthly System Entry Capacity.

(4)   For the purposes of paragraph (3), in relation to an Aggregate System Entry Point the "**ASEP Interim Amount**" is:

$$IA \; * \; ICIR \; / \; IACIR$$

where:

    IA   is the Interim Amount;

    ICIR   is the sum of the Capacity Incentive Revenues for the Aggregate System Entry Point; and

    IACIR   is the sum of the Capacity Incentive Revenues for all Aggregate System Entry Points

for April 2000.

(5)   The Interim Charge shall be invoiced and payable in accordance with Section S.".

Yours sincerely

Julian Majdanski
Modification Panel Secretary