

09/06/2004

Dear Colleague,

Please note: that the **Implementation Date is to be confirmed.**

It is Transco's intention to provide a presentation at the SP&B Workstream at the meeting scheduled for Thursday 24 June 2004 before confirming the Implementation Date.

An update will be provided in due course.

Please note: a completely 'random' date of 01/01/9999 has been entered to enable production of this Implementation Notice.

Regards

Mike Berrisford
Contract Compliance & Development

**NOTICE OF REVISED IMPLEMENTATION
MODIFICATION PROPOSAL No: 0640**

"End of Year Reconciliation of Specific Categories of Smaller Supply Points"

Please note that Modification Proposal No 0640 will be implemented with effect from 06:00 hours on 01/01/9999. The Final Modification Report, Version 2.0, was signed by Ofgem on 08/06/2004.

The new Network Code text resulting from this Modification follows.

Modified Text:

SECTION E: DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

The following shall be added as a new paragraph 1.3.8:-

“1.3.8 “End of Year AQ Reconciliation” is a reconciliation and adjustment in respect of gas offtaken from the System and certain Transportation Charges, following a revision of the Annual Quantity, in respect of quantities determined in accordance with paragraph 7.4.

The heading to paragraph 7.4 shall be amended to read:-

“Annual Quantity revision and End of Year AQ Reconciliation”

Add the following as new paragraphs 7.4.3 to 7.4.5:-

“7.4.3 Where, as a result of the revision of the Annual Quantity of a Smaller Supply Point pursuant to Section G1.6, the Supply Point becomes a Larger Supply Point and:-

- (a) the Annual Quantity is increased by more than:-
 - (i) 20% of the Annual Quantity at the start of the preceding Gas Year; and at least by
 - (ii) 15,000 kWh; and
- (b) there has not been a change in Registered User for the Supply Point since the last revision of the Annual Quantity of the Supply Point pursuant to Section G1.6; and
- (c) the Annual Quantity of the Supply Point was not increased such that the Smaller Supply Point became a Larger Supply Point prior to the Provisional Annual Quantity being calculated by Transco

then paragraph 7.4.4 will apply.

7.4.4 In the circumstances set out in sub-paragraph 7.4.3 above:-

- (a) the User Annual Quantity Revision Difference shall be extinguished by a System Clearing Contract in accordance with Section F5;
- (b) for the purposes of Section F5, the Reconciliation Clearing Charge in respect of a System Clearing Contract under paragraph 7.4.4(a) shall be the User Annual Quantity Revision Difference Clearing Value;
- (c) the User Annual Quantity Revision Difference Transportation Charge Adjustment shall be payable by an adjustment in respect of the NTS Commodity Charge, LDZ Commodity Charge and Commodity Variable Components (if any) of the Customer Charges underpaid by the User in respect of gas offtaken by the User in the relevant period;
- (d) the User Annual Quantity Revision Difference Transportation Charge Adjustment shall be payable by the User to Transco.

7.4.5 For the purposes of this paragraph 7.4:-

- (a) “**User Annual Quantity Revision Difference**” is the sum of:-

$$(X - Y)$$

Where:-

X is the Annual Quantity of the Supply Point notified by Transco in respect of the Gas Year following the relevant Gas Year;

Y is the Annual Quantity of the Supply Point notified by Transco in respect of the relevant Gas Year;

- (b) The “**User Annual Quantity Revision Difference Clearing Value**” is the amount established by:-

- (i) Determining the additional NDM Supply Meter Point Demand as a result of the User Annual Quantity Revision Difference for each day in the relevant Gas Year in which Y (as defined in paragraph (a) above) was in effect;
 - (ii) Multiplying the daily additional NDM Supply Meter Point Demand by the System Average Price for such day to determine the daily User Annual Quantity Revision Difference Clearing Value; and
 - (iii) Aggregating the daily User Annual Quantity Revision Clearing Values for all days in the applicable period of the adjustment.
- (c) **“User Annual Quantity Revision Difference Transportation Charge Adjustment”** is the amount established:
- (i) Multiplying the daily additional NDM Supply Meter Point Demand (under 7.4.5 (b) (i)) for each day in the relevant Gas Year in which Y (as defined in paragraph (a) above) was in effect by the Applicable Commodity Rate of the NTS Commodity Charge, the LDZ Commodity Charge and the Commodity Variable Component (if any) of the Customer Charge for such day to determine the daily reconciliation charge adjustment; and
 - (ii) Aggregating the daily reconciliation charge adjustments for all days in the applicable period of the adjustment.

SECTION F: SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

Paragraph 5.1.1 shall be amended to read:-

“5.1.1 Upon each Individual Reconciliation, Aggregate NDM Reconciliation and End of Year AQ Reconciliation, the quantity of gas comprising.....”

The following shall be added as a new sentence at the end of paragraph 5.2.1:-

“The Clearing Charge (**“End of Year AQ Reconciliation Clearing Charge”**) in respect of the System Clearing Contract under paragraph 5 shall be the Annual Quantity Revision Difference Clearing Value in accordance with Section E7.4.5.”

Paragraph 5.2.2 shall be amended to read:-

“5.2.2 The buyer shall pay the Reconciliation Clearing Charge, the Aggregate Reconciliation Clearing Charge or the End of Year AQ Reconciliation Clearing Charge to the seller.”

Paragraph 5.2.3 shall be amended to read:-

“5.2.3 The Reconciliation Clearing Charge, the Aggregate Reconciliation Clearing Charge or the End of Year AQ Reconciliation Clearing Charge shall be invoiced and payable in accordance with Section S.”

The following shall be added as a new paragraph 5.2.6:-

“5.2.6 The End of Year AQ Reconciliation Clearing Charge shall be treated as payable for the purposes of End of Year AQ Reconciliation as and when invoiced by Transco in accordance with the provisions of Section S.”

Yours sincerely,

Julian Majdanski
Modification Panel Secretary