

# **TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0552**

"Removal of the Incentivised Nomination Tolerance Quantity"

Version 1.0

**Date:** 13/06/2002

**Proposed Implementation Date:** 01/10/2002

**Urgency:** Non-Urgent

## **Justification**

Modification Proposal 0479 "Incentivised Nomination Scheme" (INS) will be implemented from 1st October 2002. INS includes a feature, the Incentivised Nomination Tolerance Quantity (INTQ) that is designed to protect Users from exposure to the costs that would otherwise be attributed to Users that might be considered to arise as a result of the difference between within day User's Prevailing Relevant NDM nominations and the NDM allocations.

The INTQ was designed to achieve similar objectives to the NDM Forecast Deviation that will be removed from the regime with effect from 1st October 2002 when Modification Proposal 0511 "Removal of the NDM Forecast Deviation from Imbalance Calculations" is implemented.

Ofgem stated in the Modification 0479 decision letter that Transco should consider carefully whether the INTQ should apply given Ofgem's decision to direct Transco to remove the NDM Forecast Deviation mechanism from the gas balancing cashout arrangements.

The process of consideration of this Modification Proposal will therefore better enable Transco to carefully consider the proposition that the INTQ feature should be removed and, if appropriate, make a recommendation as to its removal.

## **Nature of Proposal**

It is proposed that the INTQ feature is removed from the Network Code. This would involve the removal of the INTQ term from the calculation of a User's Forecast Performance Measure.

## **Purpose of Proposal**

This Proposal might affect User incentives to balance and to provide information about projected imbalances. The Proposal may therefore reduce the need for Transco to take balancing actions and may allow it to better fulfil its "residual system balancer" role more effectively.

The Proposal may therefore improve the economic and efficient operation of the system and help secure more effective competition between shippers.

**Consequence of not making this change**

Users may obtain some relief from full exposure to Incentivised Nomination Charges that would otherwise be based upon differences between Prevailing Forecast Daily Imbalance and Daily Imbalances.

**Area of Network Code Concerned**

Section E: Daily Quantities, Imbalance and Reconciliation 5.3 Incentivised Nomination Charges

**Proposer's Representative**

Paul A Roberts (Transco)

**Proposer**

Tim M Davis (Transco)

**Signature**

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