

10/04/2002

Dear Colleague,

**NOTICE OF IMPLEMENTATION  
MODIFICATION PROPOSAL No: 0498**

"Capacity Forward & Option Entry Capacity Management"

Please note that Modification Proposal No 0498 was implemented with effect from 06:00 hours on 01/04/2002. The Final Modification Report, Version 2.0, was signed by Ofgem on 09/04/2002.

The new Network Code text resulting from this Modification follows.

**Modified Text:**

TRANSITION DOCUMENT,

**PART II**

*Insert new paragraph 8.1.2A to read as follows:*

"8.1.2A B2 For the purposes of the calendar months April 2002 to September 2002 (inclusive):

- (1) Transco may, for the purposes of Capacity Management:
  - (a) initiate a capacity selection period in accordance with the Operational Guidelines;
  - (b) accept daily capacity offers on any Day in accordance with the [Operational Guidelines] at an Aggregate System Entry Point in such aggregate amounts as is consistent with the [Operational Guidelines] (and acceptance of daily capacity offers during each capacity selection period shall for the avoidance of doubt not be limited to quantities of Firm System Entry Capacity equal to any prevailing Firm Capacity Shortfall); and
  - (c) Sections B2.9.8 to B2.9.13 (inclusive) shall not apply.
- (2) the:
  - (a) "**Capacity Management**" means, in relation to an Aggregate System Entry Point and in relation to any Day:
    - (i) the entering into of agreements for the purposes of the management of a capacity constraint by Transco and a User; and/or

- (ii) the curtailment of Interruptible System Entry Capacity in accordance with the [Operational Guidelines] and Section B2.10; and/or
    - (iii) the acceptance by Transco of daily capacity offers submitted by Users in accordance with the [Operational Guidelines] and Section B2.9,

in each case for the purposes of the management of a capacity constraint;
  - (b) "**Capacity Management Charges**" are all amounts payable by Transco to a User pursuant to a Capacity Management Agreement; and
  - (c) "**Operational Guidelines**" are the Operational Guidelines established by Transco pursuant to Special Condition 17 of the Transco Licence.
- (3) For the purposes of Capacity Management Transco may enter into a Capacity Management Agreement with a User.
- (4) Where pursuant to the terms of a Capacity Management Agreement a User surrenders Firm System Entry Capacity at an Aggregate System Entry Point in relation to a Day, the amount of the User's Available Firm System Entry Capacity held by the User at the Aggregate System Entry Point shall be reduced by the amount surrendered by the User pursuant to the terms of the Capacity Management Agreement.
- (5) For the purposes of:
- (i) Section B2.12.3(a), in determining the highest accepted offer price in respect of a Day, account shall also be taken of the price (in pence/kWh/Day) paid by Transco pursuant to a Capacity Management Agreement in respect of the surrender of System Entry Capacity on such Day (provided however that no account will be taken of any amount paid by Transco pursuant to Capacity Management Agreement by way of a premium and which for any other purpose under the Code is determined as attributable to such Day);
  - (ii) Section B2.13.3, Relevant Capacity Costs in respect of an Aggregate System Entry Point in relation to a calendar shall include the aggregate amount of Capacity Management Charges payable by Transco and attributable to a Day in such month (for which purposes any premium payable by Transco shall be attributable to a Day pro rata to the number of Days during which Transco may exercise rights in respect of the surrender of Firm System Entry Capacity pursuant to the relevant Capacity Management Agreement); and
  - (iii) Section I3.7.2, for the purposes of determining the aggregate notional surrender costs on a Day in respect of an Aggregate System Entry Point, account shall also be taken of the price (in pence/kWh/Day) payable by

Transco pursuant to a Capacity Management Agreement were Transco to exercise its rights thereunder) in respect of the surrender of System Entry Capacity on such Day (provided however that no account will be taken of any amount payable by Transco pursuant to the Capacity Management Agreement by way of a premium and which for any other purpose under the Code is determined as attributable to such Day)."

Yours sincerely,

Julian Majdanski  
Modification Panel Secretary