

MODIFICATION PROPOSAL: 0096

SHORT TITLE: Exit Capacity Overruns from 1.10.96

DATE: 8 November 1996

PROPOSED IMPLEMENTATION DATE: 1 October 1996

URGENCY: Urgent

JUSTIFICATION: The NTS exit overrun charge regime imposes charges equal to twice the annual capacity charge. Exit overrun charges are necessarily large as they have to reflect the high cost of peak day capacity and provide an effective incentive for shippers to book capacity in line with security standards.

During the early months of Network Code there were numerous examples of exit overrun charges. In general we believe these arose as a consequence of administrative problems and portfolio differences as opposed to decisions by shippers to underbook capacity. Further, we believe that portfolio issues are a relatively small contributor and this can be confirmed as soon as exit overrun charge disputes are raised and resolved.

TransCo has met with the industry to discuss these problems and has written to all shippers explaining the need for controls to avoid a recurrence of charges. The need to sustain high overrun charges which, in some cases, may result from genuine errors, requires that we ensure that the charges are as low as possible whilst still providing an effective incentive to book to security standards.

In absence of experience of the operation of the exit overrun regime in winter, TransCo does not propose any revision in the current multiplier of 2 to apply for the winter months, October to April inclusive. As far as we can judge, that provides a reasonable incentive given that 100% of peak day capacity is only expected to be fully utilised on one day during a period of 20 years.

This proposal seeks to apply lower multipliers in the shoulder and summer months to reflect the lower value of capacity in off peak periods.

CONSEQUENCE OF NOT MAKING THIS CHANGE: Overrun charges may be levied for amounts which are larger than required to incentivise capacity booking to security standards.

AREA OF NETWORK CODE CONCERNED: B3.6.3

NATURE OF PROPOSAL: The NTS exit multipliers, as detailed in B3.6.3, will be revised as follows to be applied on a seasonal basis:

<u>Month</u>	<u>Relevant Multiplier</u>
December to March	2.0 (no change)
October, November, April, May	0.5
June to September	0.2

PROPOSED TEXT:

Principal Document

Delete B3.6.3 and replace with the following:

"B3.6.3 The NTS Exit Overrun Charge shall be calculated by multiplying the chargeable overrun quantity by the relevant multiplier (determined as set out in the table below by reference to the month in which the flexibility overrun day occurred) of the Applicable Annual Rate of the NTS Exit Capacity Charge in respect of the relevant NTS Exit Point.

<u>Month</u>	<u>Relevant Multiplier</u>
December to March	2.0
October, November, April, May	0.5
June to September	0.2

IDENTITY OF PROPOSER'S REPRESENTATIVE: A.G. Raper

PROPOSER : M. W. Piggin
SIGNATURE :
POSITION : Capacity Development Manager
COMPANY : TransCo

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number: 0096

Date Received