

DRAFT **Modification Report**
Modification Reference Number - 0023
VLDMC Imbalance Tolerances

This modification report is made pursuant to Rule 8.12 of the Modification Rules and follows the format required under Rule 8.12.4.

1. The Modification Proposal:

To confirm that the Applicable Imbalance Tolerance percentage for VLDMC Supply Points is 3% from 1st September 1996.

2. Text provided pursuant to Rule 8.14:

Code text as follows:

Transition Document

Part II, paragraph 8, section F.

In F2.2.2, insert after "DM Supply Point Component" the following: "(other than a VLDMC Supply Point Component)".

3. TransCo's opinion:

The drafting does not currently reflect the industry agreed parameter at the Network Code Panel session, 25th October 1995.

This modification corrects the anomaly.

4. Extent to which the modification would better facilitate the relevant objectives:

This modification addresses a Code anomaly by setting VLDMC Supply Point imbalance tolerances at 3% from 1 September 1996 to 30 November 1997.

5. The implications for TransCo of implementing the Modification Proposal, including:

a) implications for the operation of System and any BG Storage Facility:

None

b) development and capital cost and operating cost implications

None

c) extent to which it is appropriate for TransCo to recover the costs, and proposal for the most appropriate way for TransCo to recover the costs;

It is not TransCo's intention to recover any costs that are incurred with respect to this modification.

d) analysis of the consequences (if any) this proposal would have on price regulation;

TransCo is not aware of any impacts on price regulation.

6. The consequence of implementing the Modification Proposal on the level of contractual risk to TransCo under the Network Code as modified by the Modification Proposal;

This modification will not alter the expected level of contractual risk to TransCo under the Network Code.

7. The development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers;

TransCo systems are already being developed to fulfil this requirement..

8. The implications of implementing the modification for Relevant Shippers

This modification corrects a Code anomaly in accordance with the 3% agreed level of Imbalance Tolerance for VLDMC Supply Points.

9. The implications of implementing of the modification for terminal operators, suppliers, producers and, any Non-Network Code Party;

Power Stations operation will be subject to the agreed imbalance tolerance of 3%.

10. Consequences on the legislative and regulatory obligations and contractual relationships of TransCo and each Relevant Shipper and Non-Network Code Party (if any), of the implementation of the Modification Proposal;

TransCo has not been informed of any consequences of the legislation and regulatory obligations and contractual relationships of implementing this proposed modification.

11. Analysis of any advantages or disadvantages of the implementation of the Modification Proposal;

This modification addresses an anomaly within the Code and confirms VLDMC Imbalance Tolerances at 3%.

12. Summary of the representations (to the extent that the importance of those representations are not reflected elsewhere in the modification report:

The Modification Panel of the 23rd May 1996, fully supported this modification. TransCo will raise a proposed timetable to review all imbalance tolerances and circulate for views.

The EIUG have expressed concern based on the difficulty of controlling offtakes within such limits.

13. The extent to which the implementation is required to enable TransCo to facilitate compliance with safety or other legislation:

This modification is not required to facilitate compliance with safety or other legislation.

14. Having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement; furnished by TransCo under Standard Condition 3(1) of the Licence:

The modification is not required to comply with the above clause.

15. Programme of works required as a consequence of the implementation of the Modification Proposal:

The functionality required to implement this modification will be released for 1 September 1996 in line with Phase 2 of the Network Code Energy Balancing regime.

16. Proposed implementation timetable:

This modification will be implemented on 1st September 1996.

17. Recommendation for the implementation of the modification:

TransCo recommends that this modification is implemented on 1st September 1996, as agreed at the Modification Panel meeting of 23rd May 1996.

18. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

19. TransCo Proposal

This Modification Report contains TransCo's proposal to modify the Network Code which TransCo has already received a direction from the Director General to make in accordance with this report.

Signed for and on behalf of British Gas TransCo.

Signature:



Date: 24/05/96

Name: Chris Train

Position: Energy Balancing Manager

Director General of Gas Supply Response

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct British Gas TransCo that the above proposal be made as a modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply.

Signature:

Date:

Name:

Position:

ANNEX 1

Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976, shall not come into effect:

- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply ("**the Director**") within 28 days of the date on which the Agreement is made; or
- (ii) if within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraph (2)3 of the Schedule to the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996;

provided that if the Director does not approve the Agreement as aforesaid then the following clause shall apply:

Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.

Energy Intensive Users Group

British Cement Association
British Glass Manufacturers Confederation
British Manmade Fibres Federation
Chemical Industries Association
Major Energy Users Council

British Ceramic Confederation
British Iron and Steel Producers Association
British Non-Ferrous Metals Federation
China Clay Association
The Paper Federation of Great Britain

BY FAX

2 May 1996

Sean O'Hara
Regulation and Business Affairs
OFGAS
130 Wilton Road
London
SW1V

Dear Mr O'Hara

NETWORK CODE MODIFICATION PROPOSAL 0023 - ON VLDMC TOLERANCES

EIUG members are concerned by the introduction of the 3% tolerance for sites using over 50 million therms a year. It is extremely difficult, and in some cases impossible, for users to control offtake within such tight limits. This proposed modification to the network code is also discriminatory as it does not apply to sites with a demand of under 50 million therms per year.

EIUG would therefore like to register our objection to this proposed modification and very much hope that OFGAS will do everything within their power to ensure that it is not accepted.

Yours sincerely



Lisa Waters