

DEVELOPMENT WORKGROUP - REF 0102
EXTENSION OF PHASE 2 UNTIL 1ST SEPTEMBER 1997

DRAFT WORKGROUP REPORT

1.0 Scope of Development Group

The Group was required to determine the impact on the community of an extension of Phase 2 of the Network Code to 1st September 1997. In particular, the Group needed to consider the impact of a continuation of the Absolute Tolerance regime on shipper operations under the Network Code whilst recognising the potential exposure of NDM Shippers to inappropriate balancing charges caused by inaccurate DM forecasts.

2.0 Summary of Discussions

Most Members of the Workgroup felt that the Absolute Tolerance should continue under the Network Code until 1st September 1997.

During the course of the discussions the majority of the Group expressed views **in support** of the modification proposal. These can be summarised as:

- Small Shippers are reliant upon the Absolute Tolerance to protect them against otherwise unavoidable Network Code charges. The difficulties associated with 24 hour operation prevent appropriate balancing actions to be undertaken.
- Small Shipper access to within day balancing gas is severely limited, exposing them to Network Code charges. The development of an NBP market will help alleviate concerns.
- NDM demand forecasts can be inaccurate due to poor DM forecasting performance.
- The effect on balancing neutrality is thought to be minimal. Figures based on system accounting for the period September to November '96 inclusive imply a reduction of 4% in cash-out quantities compared to a full daily balancing regime.
- Large Shippers may be receiving the benefits of increased flexibility under Network Code operations.

Views **not in support** of the proposal:

- Under the Network Code gas should have a daily value reflecting the requirement for full daily cash-outs. The continuation of the absolute

tolerance enables imbalances to be cash-out at month-end average SAP or other daily SAP prices if the cumulative tolerance is breached.

- The gas supply business should be a 24 hour operation and the Network Code should provide appropriate incentives for Shippers to ensure operational cover.
- The continuation of an Absolute Tolerance level along with the associated cumulative imbalances adds complexity to the energy balancing regime which should be removed as soon as possible.

Operational and Systems Considerations

- It was felt that a continuation of the Absolute Tolerance regime would not affect Shipper's or TransCo's operational or administration costs.
- There is no impact on current system functionality.

3.0 Non-Development Group Representations

Paper Representations were received from 3 Shippers, of which 2 expressed support for the proposal. Accord is unable to support the proposal.

The representations are attached to this Report.

4.0 Recommendations of the Group

The Modification Panel is asked to consider this report from the Development Workgroup the format of which has been abridged as a result of the time available.