



20 February 1997

Direct Dial: 0171-932-1681

Our Ref :

Your Ref :

ALL SHIPPERS

Dear Shipper

**Modification proposal 110: Calculation of Cumulative Imbalance Tolerance for New Shippers**

Ofgas has accepted modification proposal 110 for immediate implementation. The current approach applies a smaller tolerance to shippers during their first thirty days under the Network Code than to shippers who have been in existence for longer. The Network Code made arrangements for existing shippers from 1 March 1996. Not to extend these arrangements to new shippers after 1 March appears to be discriminatory and could represent a barrier to entry to the gas shipping industry.

This proposal will be applied retrospectively to the period of Soft Landing (1 March-1 September) and prospectively from the date of this modification. However it will not apply retrospectively during Hard Landing. No shipper has been significantly affected during Hard Landing by problem the addressed in this proposal. Ofgas believes it is important therefore to maintain the policy of not accepting retrospective modifications during Hard Landing without an overwhelming reason to do so.

Yours faithfully

A handwritten signature in black ink, appearing to read "Peter Lambert".

Peter Lambert  
Regulation and Business Affairs



## **Urgent Modification 110**

### **Decision**

#### **Calculation of Cumulative Imbalance Tolerance for New Shippers**

##### **Present Position**

The degree to which shippers are allowed to remain out of balance (imbalance tolerance) is based on the amount of gas shipped over the previous 30 days. Within this tolerance, imbalances can be carried over from day to day without paying imbalance charges.

New shippers signing the Network Code will have shipped no gas for the previous 30 days and therefore receive a reduced imbalance tolerance for their first 30 days under the Code. On the first day the tolerance is equal to 1/30 of the normal tolerance, 2/30 on the second day etc. until they receive the full tolerance on the thirtieth day. As a result, new shippers face higher imbalance charges for their first 30 days.

##### **Proposal**

For the first 30 days after Network Code implementation, this problem was solved by basing each shipper's tolerance on its average throughput for days since 1 March. Following this modification, the same procedure will also be applied to new shippers signing the Code.

This proposal will be applied retrospectively to the period of Soft Landing (1 March-1 September) and prospectively from the date of this modification. It will not apply retrospectively during Hard Landing. No shipper has been significantly affected during Hard Landing by the problem addressed in this proposal. Ofgas believes it is important therefore to maintain the policy of not accepting retrospective modifications during Hard Landing without an overwhelming reason to do so.

##### **Decision**

Ofgas has accepted this urgent modification proposal for immediate implementation. Applying a larger tolerance to existing shippers than to new shippers appears to be discriminatory and could represent a barrier to entry for prospective new shippers.

##### **Possible impact on customers**

We do not anticipate any direct impact on customers of any size from the implementation of this modification. However, retrospective correction to invoices will involve financial transfers between shippers through energy balancing invoices. Depending on contractual terms these may be passed on to customers.

##### **Further Information**

Modification decision date: 20 February 1997

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