

MODIFICATION PROPOSAL: 0110

SHORT TITLE: Calculation of Cumulative Imbalance Tolerance for New Shippers

DATE: 17th December 1996

PROPOSED IMPLEMENTATION DATE: 1st March 1996

URGENCY: Urgent

JUSTIFICATION: For the first 30 days of operation of the Network Code a Shipper's cumulative imbalance tolerance quantity (CITQ) was calculated as 3 times the average throughput on days since the 1st March. This avoided the normal Code requirement to calculate the tolerance based on 30 days of throughput, which would have resulted in an ineffectively small tolerance.

However, no such provision was made for new Shippers signing up after 1st March and consequently they have been exposed by having a low CITQ for the first 29 days of operation, calculated in the extreme case as one day's throughput divided by 30 days. This was more material in Phase 1 where Users were exposed to a daily cashout at SMP if their CITQ was exceeded. Under phase 2 the amount which can be carried forward in the cumulative imbalance and hence the maximum which could be cashed out on a day, is limited to 7,500 therms and cashout is at SAP. However, given the recent volatility of the SAP price, this could still result in significant charges and could be considered a barrier to entry for new Users.

CONSEQUENCE OF NOT MAKING THIS CHANGE: Users who signed up to the Network Code after 1st March 1996 will initially have their CITQ unfairly calculated and contrary to the method used for other Users. As a result they are likely to be exposed to daily cashout of their cumulative imbalance.

AREA OF NETWORK CODE CONCERNED: Transition Document part II, paragraph 6.

NATURE OF PROPOSAL: Under this proposal the CITQ of Users who signed up to the Network Code after 1st March 1996 will be recalculated for the first 30 days of their operation. The cumulative imbalance cashout during this period, including any adjustments to the month end cashout, will be re-examined and any overcharged amounts will be credited through the ad-hoc invoice.

In accordance with the principle established in modifications 41 and 64, all corrections to cumulative imbalance cashouts will be allocated through Balancing Neutrality in the Energy Balancing Invoice which is issued at the same time as the corrections to individual shippers. The legal drafting will include text to ensure that all such adjustments will be allocated

through Neutrality in the same month as the adjustment is made. For this modification proposal, the net cost to Neutrality is expected to be low.

The proposal will be applied to any Users signing up to the Network Code after 1st March 1996 and becoming operational before the end of Phase 2 (28th February 1997).

PURPOSE OF PROPOSAL: To relieve new Users of cumulative imbalance cashouts resulting from an excessively small CITQ calculated unfairly and in a manner which is not consistent with the CITQ of other Users.

PROPOSED TEXT:

Transition Document Part II paragraph 6.3.2(c)

Amend paragraph (i) to read:

"... (or if less than 30, all of the Days from 1st March 1996, or if later the User Accession Date, up to and including the NCI Day);"

Amend paragraph (ii) to read:

"(ii) in Phase 2, 7.5% of the arithmetic mean of the sum of the User's UDQIs and UDQOs for each of the 29 Days (or if less the number of Days from the User Accession Date) preceding the NCI Day and the NCI Day;"

Additional drafting on the mechanism for making adjustments through Neutrality is required.

IDENTITY OF PROPOSER'S REPRESENTATIVE: P. Carter

PROPOSER : J.F. Lockett
SIGNATURE : 
POSITION : Commercial Manager Network Code
COMPANY : TransCo

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number: 0110

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