

21st February 1997

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Dear Colleague,

NOTICE OF IMPLEMENTATION MODIFICATION 0110

Calculation of Cumulative Imbalance Tolerance for New Shippers

Please note that Modification Proposal 0110 was implemented on 21st February 1997 and is effective from 1st March 1996.

The Report was signed by Ofgas 20/2/1997. The text resulting from this modification is detailed below.

Modified Text

Text provided pursuant to Rule 9

Transition Document Part II

Paragraph 6.3.2(c)

Amend paragraph 6.3.2(c) to read:

- (c) the "**Cumulative Imbalance Tolerance Quantity**" is the quantity of gas which is:
 - (i) in Phase 1, 3 times the arithmetic mean of the User's Imbalance Tolerance Quantity under paragraph 6.1(i),
 - (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 fewer the number of Days from 1st March 1996 or if later, the earlier of the date on which the User was first treated as delivering or offtaking quantities from the System or on which the User first made a Trade Nomination) preceding the NCI Day and the NCI Day (provided that from 1st September 1996 to the day preceding the date on which the Code Modification by virtue of which

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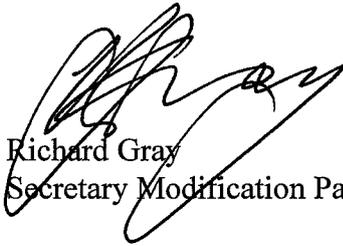
(ii) above applies in its current form, the Cumulative Imbalance Tolerance Quantity shall be 7.5% of the arithmetic mean of the sum of the User's UDQIs and UDQOs, for each of the 29 Days preceding the NCI Day and the NCI Day).

Paragraph 6.3.4

Add a new paragraph 6.3.4 as follows:

"6.3.4 Where the User Accession Date in respect of a User occurred before the date of the Code Modification by virtue of which paragraph 6.3.2(c)(i) and (ii) apply in their current form, and as a result the amount of any Energy Balancing Charges invoiced to the User was not determined in accordance with those paragraphs, the amount thereof will be redetermined and an appropriate invoicing adjustment made in accordance with Section S."

Yours sincerely,



Richard Gray
Secretary Modification Panel



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', written in a cursive style.

Peter Lambert

Regulation and Business Affairs