

**Modification Report**  
**Modification Reference Number 0112**

This modification report is made pursuant to Rule 9 (**Urgent**) of the Modification Rules and follows the format required under Rule 8.12.4.

**1. Circumstances Making This Modification Urgent**

In accordance with Rule 9.2(a) Ofgas has agreed that this modification should be treated as URGENT because of potential for inaccurate Network Code costs being attributed to shippers during a period of high demand.

**2. Procedures Followed**

TransCo agreed with Ofgas (and has followed) the following procedures for this Proposal:

|          |                              |
|----------|------------------------------|
| 20/12/96 | Ofgas agree as urgent        |
| 23/12/96 | Proposal circulated          |
| 23/1/97  | Representations close        |
| 27/1/97  | Modification report to Ofgas |

**3. The Modification Proposal:**

It is proposed that during the relevant period, defined in Modification 0093, output scheduling charges be waived and that some relief is given to SMP daily imbalance charges. If a shipper can demonstrate that it has incurred SMP prices as a result of reliance on estimated consumption then the degree of imbalance outside the ITQ should be charged at SAP as opposed to SMP.

**4. TransCo's opinion:**

TransCo's opinion is that this modification should not be implemented. When the modification was raised, the only option for shippers was to make alternative arrangements with their consumers. However, prior to the relevant period contingency measures were instigated to provide shippers with information through DLCS and this, in conjunction with shippers own alternative arrangements, will have enabled compliance with Network Code obligations. Subsequent reduction of charges would in effect penalise, through affected energy balancing invoices, shippers who had remained within balancing and scheduling tolerance.

Analysis of the period in question has shown that only 8 reads out of 120,000 were different to that which would have been provided through the usual channel and TransCo do not believe that any shippers have been disadvantaged.

5. Extent to which the modification would better facilitate the relevant objectives;

Whilst the modification potentially addresses charges which may be experienced by shippers resulting from inaccurate meter reads. The perceived inaccuracy in DLCS reads is small and is unlikely to lead to increased risk of imbalance and scheduling charges.

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

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

This proposal does not impact on system operation or storage facilities.

b) development and capital cost and operating cost implications

Additional operational costs would be incurred by TransCo, as any claims by shippers, should this proposal be implemented, would result in recalculation of scheduling and imbalance charges and the production of ad hoc invoices to address affected shippers. Moneys repaid to shippers in lieu of appropriate charges would be recovered through balancing neutrality.

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;

The down time in the Link system which gives rise to this proposal is to facilitate domestic competition which is of benefit to the shipping community. Any reduction in scheduling and imbalance charges should not therefore met by TransCo and should be carried through balancing neutrality and allocated to shippers. Implementation of the proposal would give rise to additional operational costs which it would be unreasonable for TransCo to bear in view of the circumstances leading to this proposal.

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

TransCo are not aware of any impact on price regulation.

7. 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;

There is no envisaged consequence.

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

TransCo is not aware of any impact on computer systems.

9. The implications of implementing the modification for Relevant Shippers.

This proposal if implemented could result in the recalculation of scheduling and imbalance charges for affected shippers. Any reduction in costs ultimately levied on affected shippers would be taken into account in the calculation of energy balancing invoices. Reductions in moneys collected from affected shippers would therefore impact on the wider shipping community. Shippers who had met their Network Code obligations during this period would receive increased energy balancing invoices or reduced energy balancing credits as a result of the price relief applied to shippers who were unable to balance within tolerances.

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

TransCo is not aware of any implications for terminal operators , suppliers, producers and any non- network code party.

11. 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;

This proposal does not impact on the legislative and regulatory obligations and contractual relationships of TransCo and each relevant shipper and non network code party

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

Advantages - This proposal removes the financial exposure which shippers may be exposed to as a result of not receiving actual data logger reads through sites and meters.

Disadvantages- There is no evidence to suggest that widespread problems were encountered during the period when Link was unavailable. It can therefore be concluded that the majority of shippers felt able to meet their code obligations on the basis of their own information sources and the data provided via DLCS. If cost reductions are passes on to shippers who failed to meet their obligations these will be passed back to all shippers through balancing neutrality. This in effect will reward poor performance and penalise good performance which is at odds with the philosophy of the balancing regime.

Additional costs will be incurred by TransCo as a result of administrative activity required by this proposal

13. Summary of the representations (to the extent that the import of those representations are not reflected elsewhere in the modification report;

Representations were received from Kinetica, Agas, Total, Alliance, Eastern, Mobil and BGT. The majority of which are in support of the proposal

TransCo believes that the proposal would only benefit a few shippers and in effect provided a benefit for non performance. TransCo do not believe that this non performance can be directly attributable to inaccuracy within the DLCS data and that shippers have ample opportunity to make suitable arrangements for this period. Any downward adjustment of cash out price would therefore impose a financial penalty on those shippers who had remained within imbalance and scheduling tolerances.

One shipper was against the proposal on the basis that shippers were provided with DLCS information during the period. It was also noted that the requirement to close down Link functions during this period was well known and that shippers have had ample opportunity to make alternative arrangements with his consumer for the provision of data. It is also implied that in view of the level of tolerance attracted by the sites in question ( 8% for DM ) It is not reasonable for the whole of the community to bear the cost of one or more shippers exceeding this level.

One shipper supported the proposal but suggested that the provision of information via DLCS would probably remove the need for this proposal.

One shipper supported the proposal but felt that the period in question had passed smoothly and their initial view was that no charges should appear as DLCS provided reads throughout the period.

One shipper supported the proposals but suggested that all imbalance charges should be allocated at SAP over this period.

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

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

15. 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;

This proposal is not required to comply with the above clause.

16. Programme of works required as a consequence of the implementation of the Modification Proposal;

TransCo does not recommend implementation, therefore no programme of works is proposed.

17. Proposed implementation timetable;

TransCo does not recommend implementation , therefore no timetable is proposed.

18. Recommendation for the implementation of the modification:

TransCo recommend that this proposal is rejected.

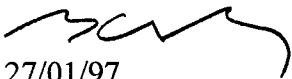
19. Restrictive Trade Practices Act

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.

20. TransCo Proposal

This Modification Report contains TransCos proposal not to modify the Network Code and accordingly, no text is provided. TransCo now seeks a direction from the Director General in accordance with this report.

Signed for and on behalf of British Gas TransCo.

Signature:   
Date: 27/01/97  
Name: Mark Ripley  
Position: Gas Trading Support 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: