

02/04/2001

Dear Colleague,

**NOTICE OF IMPLEMENTATION  
MODIFICATION PROPOSAL No: 0414**

"Energy Balancing Incentive Redesign"

Please note that Modification Proposal No 0414 will be implemented with effect from 06:00 hours on 01/06/01. The Final Modification Report, Version 2.0, was signed by Ofgem on 02/04/01.

The new Network Code text resulting from this Modification follows.

**Modified Text:**

**SECTION D. OPERATIONAL BALANCING, TRADING ARRANGEMENTS AND  
ENERGY BALANCING INCENTIVE**

*Add paragraph 1.4.1vii. as follows:*

“(vii) NTS Linepack shall mean , for a Day, the volume of gas within the National Transmission System [ascertained in accordance with the principles set out in the Operational Guidelines.] “

*Amend paragraph 3.1.1 to read as follows:*

“....

(i) System Marginal Incentive Buy Price differs from the System Marginal Incentive Sell Price; and

(ii) In respect of the Day the change in NTS Linepack from the Preceeding Day . “

*Amend paragraph 3.1.2 to read as follows:*

“.... the “Price Incentive Arrangement”, and the arrangement giving effect to paragraph 3.1.1(ii) is the “Linepack Incentive Arrangement”. “.

*Amend paragraph 3.1.3 to read as follows:*

“(a) ...

(i) in relation to the Price Incentive Arrangement, the percentage determined as:

$$((\text{SMIBP} - \text{SMISP}) / (2 * \text{SAP})) * 100$$

where:

SAP is System Average Price;  
SMISP is System Marginal Incentive Sell Price;  
SMIBP is System Marginal Incentive Buy Price.

(ii) in relation to the Linepack Incentive Arrangement, the volume determined as:

abs (OLP – CLP)

where:

OLP is NTS linepack at 06:00 hours on the Gas Day;  
CLP is NTS linepack at 06:00 hours on the following Gas Day.

(b) ....

- (i) in relation to the Price Incentive Arrangement, ten percent (10%);
- (ii) in relation to the Linepack Incentive Arrangement, two point four MCM (2.4 MCM).

*Amend paragraph 3.1.4 to read as follows:*

“...., in relation to the Price Incentive Arrangement or the Linepack Incentive Arrangement, ... “

*Amend paragraph 3.1.5 to read as follows:*

- “(a) ....
- (i) the Price Incentive Arrangement for superior performance, zero per cent (0%);
  - (ii) the Linepack Incentive Arrangement for superior performance, zero MCM (0 MCM);
  - (iii) the Price Incentive Arrangement for inferior performance, eighty five per cent (85%);
  - (iv) the Linepack Incentive Arrangement for inferior performance, twenty point four MCM (20.4 MCM);

(b) .....

- (i) the Price Incentive Arrangement for superior performance, £4,000 (being a positive amount);
- (ii) the Linepack Incentive Arrangement for superior performance, £4,000 (being a positive amount);
- (iii) the Price Incentive Arrangement for inferior performance, £30,000 (being a negative amount);
- (iv) the Linepack Incentive Arrangement for inferior performance, £30,000 (being a negative amount);

- (c) ....., in respect of the Price Incentive Arrangement and the Linepack Incentive Arrangement:....
- (d) ....; New paragraph 3.1.5 (d) added by Modification 0373.
- (e) for each day the “System Marginal Incentive Buy Price” is the higher of the System Average Price and the price in pence/kWh which is equal to the highest Market Offer Price in relation to a Market Balancing Action for that Day; and
- (f) for each day the “System Marginal Incentive Sell Price” is the lowest of the System Average Price and the price in pence/kWh which is equal to the lowest Market Offer Price in relation to a Market Balancing Action for that Day. “

*Amend paragraph 3.1.6 to read as follows:*

“..., the Price Incentive Arrangement and the Linepack Incentive Arrangement, ....”.

*Amend paragraph 3.2.1 to read as follows:*

“... the Price Incentive Arrangement and the Linepack Incentive Arrangement, ....”.

*Amend paragraph 3.2.3 to read as follows:*

“...the Daily Incentive Amount for the Price Incentive Arrangement shall be equal to the Maximum Incentive Amount for ....”

*Amend paragraph 3.3 to read as follows:*

“(a) ....

- (i) ... the Price Incentive Arrangement ...
- (ii) ....the Linepack Incentive Arrangement ...

(b) ....

- (i) ....the Price Incentive Arrangement
- (ii) ....the Linepack Incentive Arrangement ...”.

*Amend paragraph 3.4.1 to read as follows:*

“... the Price Incentive Arrangement and the Linepack Incentive Arrangement, ...”.

*Amend paragraph 3.5.1 to read as follows:*

“... the Price Incentive Arrangement and the Linepack Incentive Arrangement, ...”.

*Amend paragraph 3.6.1 to read as follows:*

“... the Price Incentive Arrangement and the Linepack Incentive Arrangement, ...”.

*Amend paragraph 3.6.2 to read as follows:*

“(b) ....the Price Incentive Arrangement and the Linepack Incentive Arrangement, ...”.

*Amend paragraph 3.7 to read as follows:*

”... (under the Price Incentive Arrangement and the Linepack Incentive Arrangement collectively) ...

Yours sincerely,

Julian Majdanski  
Modification Panel Secretary