

06/08/2002

Dear Colleague,

**NOTICE OF IMPLEMENTATION
MODIFICATION PROPOSAL No: 0559**

"Changes to Buy Back Liabilities"

Please note that Modification Proposal No 0559 was implemented with effect from 06:00 hours on 01/10/2002. The Final Modification Report, Version 2.0, was signed by Ofgem on 05/08/2002.

The new Network Code text resulting from this Modification follows.

Modified Text:

[Draft] proposed legal text

SECTION B: SYSTEM USE AND CAPACITY

Delete all text at paragraph 2.13 and replace with text to read as follows:

2.13 Capacity Neutrality Arrangements

2.13.1 For each Aggregate System Entry Point the difference between amounts received or receivable and paid or payable by Transco in respect of Relevant Capacity Charges and certain other amounts in respect of each Day in a calendar month shall be payable to or recoverable from relevant Users (and such amount shall not be reduced by any amount to be retained or borne by Transco).

2.13.2 For each Aggregate System Entry Point, in relation to each Day:

- (a) **"Relevant Capacity Revenues"** are the aggregate of the amounts payable to Transco by Users:
 - (i) by way of Capacity Charges in respect of:
 - (1) Daily System Entry Capacity where the User was registered as holding the Daily System Entry Capacity for the Day with effect from the start of the Day or at any time during the Day;
 - (2) Daily Interruptible System Entry Capacity,

at the Aggregate System Entry Point; and

- (ii) System Entry Overrun Charges; and
- (iii) where any User has negative Available System Entry Capacity, by way of System Entry Overrun Charges pursuant to (and calculated in respect of the amount determined under) paragraph 5.5.2(ii),

in respect of such Day; and

- (b) "**Relevant Capacity Costs**" are the aggregate of the amounts payable by Transco to Users by way of:

- (i) Capacity Surrender Charges; and
- (ii) Aggregate Constraint Amounts pursuant to Section I3.7.2,

in relation to the Aggregate System Entry Point in respect of such Day.

- 2.13.3 In relation to each Aggregate System Entry Point and a Day, Transco shall pay to each relevant User an amount ("**Capacity Revenue Neutrality Charge**") determined as:

$$RCR * UFAC / AFAC$$

where:

RCR is the Relevant Capacity Revenues;

UAFC is the aggregate sum of the User's Fully Adjusted Firm Available System Entry Capacity at each Aggregate System Entry Point; and

AFAC is the aggregate sum of all User's Fully Adjusted Firm Available System Entry Capacity at each Aggregate System Entry Point,

in each case as determined at 04:00 hours on the relevant Day.

- 2.13.4 In relation to each Aggregate System Entry Point and a Day, each relevant User shall pay to Transco an amount ("**Capacity Cost Neutrality Charge**") determined as:

$$RCC * UFAC / AFAC$$

where:

RCC are the Relevant Capacity Costs,

and 'UFAC' and 'AUFC' have the meanings in paragraph 2.13.3.

- 2.13.5 For the purposes of this paragraph 2.13:

- (a) the "**Capacity Neutrality Adjustment Amount**" for a Day in a calendar month (month 'm') is

- (i) the sum of:
 - (1) the amount of any charge of a kind referred to in the definition of Relevant Capacity Revenues, and of any Capacity Neutrality Charge (payable to Transco), which was due for payment to Transco in month m-2 but were unpaid to Transco as at the last Day of month m;
 - (2) the amount of any interest paid (in accordance with Section S4.3.2) by Transco to any User on any Day in month m by virtue of the User having made an over-payment in respect of any of such amount as is referred to in paragraph (1) above;less

- (ii) the sum of:
 - (1) the amount of any charge of a kind referred to in the definition of Relevant Capacity Revenues, and of any Capacity Neutrality Charge (payable to Transco) which:
 - (A) was unpaid as at the last Day of month m-3 and was taken into account (under paragraph (a)(i) above) in calculating the Capacity Adjustment Neutrality Amount for month m-1, but
 - (B) has been paid to Transco since the last Day of month m-1;
 - (2) the amount of any interest paid (in accordance with Section S4.3.2) by any User to Transco on any Day in month m by virtue of late payment of any such charge as is referred to in paragraph (1) above,

divided by the number of Days in month m;

- (b) "**Capacity Neutrality Charges**" comprise Capacity Revenue Neutrality Charges, Capacity Cost Neutrality Charges and Capacity Adjustment Neutrality Charges;
- (c) "**Relevant Capacity Charges**" comprise Relevant Capacity Revenues and Relevant Capacity Costs; and
- (d) a "**relevant User**" is a User registered as holding Firm System Entry Capacity at an Aggregate System Entry Point on the relevant Day.

2.13.6 In relation to a Day (and all Aggregate System Entry Points), where:

- (a) the Capacity Neutrality Adjustment Amount (if any) is negative, Transco shall pay to each relevant User; and
- (b) the Capacity Neutrality Adjustment Amount (if any) is positive, each relevant User shall pay to Transco,

an amount ("**Capacity Neutrality Adjustment Charge**") determined as:

$$\text{CNAA} * \text{UFAC} / \text{AFAC}$$

where CNAA is the Capacity Neutrality Adjustment Amount and 'UFAC' and 'AFAC' have the meanings in paragraph 2.13.3 (provided that in the event that no Firm System Entry Capacity was held by any User at any Aggregate System Entry Point on such Day, 'UAFC' and 'AUFC' shall be determined on the basis of the most recent preceding Day in respect of which a User held Firm System Entry Capacity at an Aggregate System Entry Point).

2.13.7 Capacity Neutrality Charges shall be invoiced and payable in accordance with Section S."

TRANSITION DOCUMENT, PART II

Amend paragraph 8.1.12 to read as follows:

"In respect of the calendar months April to September 2002 (inclusive) ("relevant month") and without prejudice to...., Section B2.13 shall not apply and the arrangements set out in....in respect of each relevant month....payable by Transco in a relevant month...and in respect of a relevant month:

- (1)
 - (a)(for a Day in a relevant month)....
 - (b)in the relevant month...
- (3)in the relevant month; and
- (4)in the relevant month."

Amend paragraph 8.1.13 to read as follows:

"....and the application of paragraph 8.1.12 in respect of the calendar months April to September 2002 (inclusive), paragraphs (1) to (8) (inclusive) shall apply...."

Yours sincerely,

Julian Majdanski
Modification Panel Secretary