

**DRAFT CODE MODIFICATION PROPOSAL**  
"Re-alignment of Failure to Interrupt charges"  
Version 1.0

**Date:** 12 February 2008

**Proposed Implementation Date:** 1 October 2008

**Urgency:** Non- Urgent

**Proposer's preferred route through modification procedures and if applicable, justification for Urgency**

(see the criteria at [http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752\\_Urgency\\_Criteria.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf))

For development at Distribution Workstream.

**Nature & Purpose of Proposal (including consequence of non implementation)**

This modification proposal has been raised as a result of the recent change to Transporters' charging methodology. On 13 December 2007 the Authority chose not to veto DNPC03 – LDZ system charges capacity commodity split and interruptible discounts. These proposals allowed the GDNs to "amend their charging methodologies with effect from 1 October 2008 so that:

- The proportion of revenue collected from the Use of System capacity charges increases from 50% to 95%, while the proportion collected from Use of System commodity charges decreases from 50% to 5%.
- Interruptible supply points pay capacity charges equal to 47.37% of those paid by an equivalent firm connection, so maintaining the existing value of capacity charge discounts received by these supply points".

An unintended consequence of this change to charging methodology has been to almost double the Failure to Interrupt (FTI) charges, as currently under UNC Interruptible sites pay twice the annual firm charges for the first day of interruption. This modification proposal seeks to maintain the current level of Failure to Interrupt charges at their current level. Given the fact that firstly, Interruptible sites from 1 October 2008 will pay an element of LDZ capacity charges, and secondly that firm charges will almost double under the new arrangements it is appropriate that FTI Charges reflect these changes.

Failure to Interrupt charges, for the first day of failure, are currently charged at two times the Applicable Annual Rate of the **Firm** LDZ Capacity Charge. Under this proposal the FTI charge will change to two times the Applicable Annual Rate of the **Interruptible** LDZ charge for each site.

For clarification, this proposal only relates to Interruptible sites connected to the Distribution Networks and does not impact on the arrangements for NTS Interruptibles. Also, the charge rate for subsequent days (UNC TPD Section G6.9.2(b)(ii)) is unchanged under this proposal.

**Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence**

SSC A11.1 (E) “securing of effective competition between shippers and suppliers”

This modification proposal removes a defect introduced by the implementation of DNPC03 where FTI charges would effectively double. Implementation of this proposal would remove the additional contractual risk faced by shippers and their customers as a result of this change. Implementation of this proposal will ensure that contractual risk and penalty charges will remain unaffected by the change to DN Charging Methodology. The shipper community as a whole will remain neutral to risk is a result of this proposal being implemented.

**Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested legal text**

Administration of the proposed change is not envisaged to create any additional operational difficulties. FTI charges will be billed on the Applicable Rate for each site in line with the changes undertaken for DNPC03.

The implications of Mod 0090 should be considered as part of the development process for this proposal.

**Code Concerned, sections and paragraphs**

Section G 6.9.2 (Pre mod 90)  
Section G 6.10.2 (Mod 90)

**Proposer's Representative**

Phil Broom Gaz de France ESS

**Proposer**

Phil Broom Gaz de France ESS

**Signature**

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