

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0539
"Changes to Capacity Neutrality to enable Implementation of Final SO Incentive Proposals"
Version 2.0

Date: 05/03/2002

Proposed Implementation Date: 01/04/2002

Urgency: Urgent

Justification

Transco anticipates that revised System Operator Incentives will be implemented with effect from 1 April 2002. The implementation of these incentives is anticipated to be via Gas Transporter (GT) Licence amendments. However, these Licence amendments will not be in place before 1 April. Transco, therefore seeks Urgent status for this Network Code Modification Proposal to ensure that these revised arrangements can be put into effect on a transitional basis by the due date, but via the Network Code rather than Transco's GT Licence.

This Proposal is designed to implement the anticipated capacity neutrality and buy back incentive changes with effect from 1 April 2002. If approved this Proposal will provide clarity as to the capacity neutrality arrangements and incentive that will apply, and will ensure that the neutrality and incentives are active from 1 April 2002. This approach would also ensure that no reconciliation process would be necessary if the current neutrality and incentive arrangements were allowed to continue but which were then superseded by amendments introduced retrospectively following revisions to the licence.

Nature of Proposal

At present both day ahead and within day sales of Daily System Entry Capacity (DSEC) count toward capacity neutrality, while Overrun Charges count toward Transportation Revenue. The purpose of this proposal is to amend the existing Network Code rules for the treatment of revenue associated with Overrun charges and sales of DSEC before the gas flow day. It is proposed that revenues from Overrun Charges should be counted in Transco's buy back incentive and consequently it should be included in capacity neutrality calculations. Revenues from Overrun Charges would be included in neutrality. In addition it is proposed to amend the Network Code such that any revenues generated from DSEC acquired at the day ahead stage would be excluded from capacity neutrality.

To enable DSEC acquired by the day ahead stage to count towards TO Allowed Revenue a new Charge Type may be required, which in turn will require a change to the file formats. The three month fifteen day notification period required by the UK Link committee for file format changes will therefore need to be waived to allow this Modification to be implemented.

Purpose of Proposal

The purpose of this Proposal is to enable changes to revenues that count towards the capacity Incentive and Neutrality arrangements to be introduced on 1 April 2002. This is in anticipation of changes to be proposed by Ofgem through Licence amendments. These changes would facilitate compliance with the relevant objective contained within Standard Condition 9(1)(b), i.e. the efficient discharge, by Transco, of obligations under its GT Licence.

Consequence of not making this change

If this change were not implemented then the Network Code would not be consistent with proposed changes to Transco's GT Licence.

Area of Network Code Concerned

Section B 2.13

Proposer's Representative

Russell D Cooper (Transco)

Proposer

Tim M Davis (Transco)

Signature

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