

28/03/2002

Dear Colleague,

**NOTICE OF IMPLEMENTATION
MODIFICATION PROPOSAL No: 0542**

"Revised Energy Balancing Incentive Arrangements post April 2002"

Please note that Modification Proposal No 0542 was implemented with effect from 06:00 hours on 01/04/2002. The Final Modification Report, Version 2.0, was signed by Ofgem on 28/03/2002.

The new Network Code text resulting from this Modification follows.

Modified Text:

TRANSITION DOCUMENT PART II

Delete paragraph 8.2.1

Add new paragraph 8.2.1. to read as follows:

- 8.2.1. D.3. With effect from 1 April 2002 the Energy Balancing Incentive Arrangements shall continue to apply as amended by paragraphs 1 to 14 below:
- (1) The Maximum Incentive Amount Limits set out in paragraphs 3.1.5.b.(i) and (ii) shall be increased to £5000;
 - (2) Paragraph 3.1.5. (c) shall not apply and the Annual Maximum Incentive Amount shall be the upper limit of the Net Aggregate Annual Amount (described in paragraph 10 below) and shall be set at £3,500,000, whereas the lower limit of the Net Aggregate Annual Amount, the "Annual Minimum Incentive Amount" (which number shall be negative) shall be set at £3,500,00;
 - (3) Paragraphs 3.1.1 and 3.1.5.d. shall not apply.
 - (4) Amend paragraph 3.1.3.(a) to read " the "Incentive Performance Measure" is...."

- (5) References within paragraph D.3. to a Gas Year shall be deemed to be a reference to a Formula year;
- (6) a “Formula Year” means the period from 1 April in any year to 31 March in the following year;
- (7) In respect of both the Price Incentive Arrangement and the Linepack Incentive Arrangement and within a Formula Year Transco shall calculate the Daily Incentive Amounts for both superior and inferior performance;
- (8) Delete paragraph 3.2.4;
- (9) In respect of both the Price Incentive Arrangement and the Linepack Incentive Arrangement and in respect of a Formula Year Transco shall then calculate the Aggregate Annual Amount in respect of that Formula Year;
- (10) Having calculated such Aggregate Annual Amount in relation to both superior and inferior performance in accordance with paragraph 3.3., Transco shall then calculate the net difference of such sums, the “Net Aggregate Annual Amount”;
- (11) The Net Aggregate Annual Amount shall then be comprised and form part of the NTS Commodity Charge in accordance with the Transportation Statement and shall be invoiced in accordance with the manner for such charge set out within Network Code;
- (12) To the extent that the Net Aggregate Annual Amount is greater than the Annual Maximum Incentive Amount then only that maximum amount shall be comprised and form part of the NTS Commodity Charge as described in 11 above;
- (13) To the extent that the Net Aggregate Amount is less than the Annual Minimum Incentive Amount then only that minimum amount shall be comprised within and form part of the NTS Commodity Charge as described in 11 above.
- (14) Paragraphs 3.4 to 3.7 (inclusive) shall not apply.

Yours sincerely,

Julian Majdanski
Modification Panel Secretary