

30/09/2002

Dear Colleague,

**NOTICE OF IMPLEMENTATION
MODIFICATION PROPOSAL No: 0520**

"Removal of Entry Capacity Incentives from the Network Code"

Please note that Modification Proposal No 0520 was implemented with effect from 06:00 hours on 30/09/2002. The Final Modification Report, Version 2.0, was signed by Ofgem on 27/09/2002.

The new Network Code text resulting from this Modification follows.

Modified Text:

SECTION B: SYSTEM USE AND CAPACITY

Amend paragraph 1.7.3. to read as follows:

1.7.3. "..... Determined by reference to the quantity of the gas flow (or the part thereof attributable to a User) at a System Point, or a charge payable by reference to incentive arrangements contained in the Transco Licence.

Delete all text at paragraph 2.13, rename as 'Capacity neutrality arrangements' and insert new text to read as follows:

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 each 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 calendar month:

(a) **"Relevant Capacity Revenues"** are the aggregate of the amounts payable to Transco by Users:

(i) by way of Capacity Charges in respect of Daily System Entry Capacity and Daily Interruptible System Entry Capacity at the Aggregate System Entry Point; and

(ii) 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) Section B5.5.2(ii),

in respect of Days in the calendar month;

(b) "**Relevant Capacity Costs**" are the aggregate of the amounts payable by Transco to Users by way of Capacity Surrender Charges and Aggregate Constraint Amounts pursuant to Section I3.7.2, in relation to the Aggregate System Entry Point in respect of Days in the calendar month.

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

(a) where one or more Users hold Registered Monthly System Entry Capacity at the Aggregate System Entry Point in relation to the calendar month:

$$RCR * URC / ARC$$

where:

RCR is the Relevant Capacity Revenues;

URC is the User's Registered Monthly System Entry Capacity; and

ARC is the aggregate of all Users' Registered Monthly System Entry Capacity, for that Aggregate System Entry Point in relation to the calendar month;

(b) where no User holds Registered Monthly System Entry Capacity at the Aggregate System Entry Point in relation to the calendar month:

$$RCR * AURC / AARC$$

where:

AURC is the aggregate of the User's Registered Monthly System Entry Capacity;

AARC is the aggregate of all Users' Registered Monthly System Entry Capacity;

and 'RCR' has the meaning in paragraph (a) above, for all Aggregate System Entry Points in relation to the calendar month (provided that in the event that no Monthly System Entry Capacity was held by any User at any Aggregate System Entry Point for the calendar month, 'AURC' and 'AARC' shall be determined on the basis of the most recent calendar month in respect of which a User held Monthly System Entry Capacity at an Aggregate System Entry Point).

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

$$RCC * AURC / AARC$$

where:

RCC are the Relevant Capacity Costs;

and 'AURC' and 'AARC' have the meanings in paragraph 2.13.3(b), for all Aggregate System Entry Points in relation to that calendar month;

2.13.5 For the purposes of this paragraph 2.13:

- (a) the "**Capacity Neutrality Adjustment Amount**" for 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;
- (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 Monthly System Entry Capacity at an Aggregate System Entry Point for the calendar month;

2.13.6 In relation to a calendar month (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:

$$\text{CNAA} * \text{AURC} / \text{AARC}$$

where CNAA is the Capacity Neutrality Adjustment Amount and 'AURC' and 'AARC' have the meanings in paragraph 2.13.3(b) (provided that in the event that no Monthly System Entry Capacity was held by any User at any Aggregate System Entry Point for the calendar month, 'AURC' and 'AARC' shall be determined on the basis of the most recent calendar month in respect of which a User held Monthly 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.

Amend paragraph 3.5.1(ii) to read as follows:

"3.5.1(ii) Commodity Charges ("**NTS Commodity Charges**") in respect of its use of the NTS on any Day, or a charge payable by reference to incentive arrangements contained in the Transco Licence."

TRANSITION DOCUMENT PART II

Delete paragraph 8.1.11.

Yours sincerely,

Julian Majdanski
Modification Panel Secretary