

23/05/2002

Dear Colleague,

**NOTICE OF IMPLEMENTATION  
MODIFICATION PROPOSAL No: 0479**

"Incentivised Nomination Scheme"

Please note that Modification Proposal No 0479 will be implemented with effect from 06:00 hours on 01/10/2002. The Final Modification Report, Version 4.0, was signed by Ofgem on 23/05/2002.

The new Network Code text resulting from this Modification follows.

**Modified Text:**

**SECTION E: DAILY QUANTITIES, IMBALANCE AND RECONCILIATION**

*Add new paragraph 5.3 to read as follows:*

**"5.3 Incentivised Nomination Charges**

5.3.1 At each Forecast Daily Imbalance Time (in respect of a Day) if a User's Prevailing Forecast Daily Imbalance differs from the User's Daily Imbalance for the Day the User shall pay a charge ("**Incentivised Nomination Charge**") in accordance with this paragraph 5.3.

5.3.2 For the purposes of this paragraph 5.3:

- (a) "**Forecast Daily Imbalance**" is, in respect of a Day and in relation to a User, the User's projection of its Daily Imbalance for that Day;
- (b) "**Forecast Daily Imbalance Time**" is, in respect of a Day, each of 02:00 hours on the Preceding Day and 12:00 hours, 18:00 hours and 22:00 hours on the Day;
- (c) "**Initial**" Forecast Daily Imbalance is, in respect of a Day and in relation to a User, the Forecast Daily Imbalance prevailing at 17:00 hours on the Preceding Day;
- (d) "**Prevailing Forecast Daily Imbalance**" is, in respect of a Day and in relation to a User, the User's current Forecast Daily Imbalance (calculated in accordance with this paragraph 5) at a Forecast Daily Imbalance Time; and
- (e) "**Prevailing Provisional Daily Imbalance**" shall mean the projected Daily Imbalance of a User in respect of a Day (recorded on the UK Link System) at 17.00 hours on the Preceding

Day determined by Transco by reference to Nomination information available to it at such time, excluding the Forecast Daily Imbalance referred to in paragraph (a) above.

- 5.3.3 Each User may submit a notice ("**Forecast Daily Imbalance Nomination**") specifying its Forecast Daily Imbalance for a Day.
- 5.3.4 Each Forecast Daily Imbalance Nomination shall specify:
- (a) the identity of the User;
  - (b) the Gas Flow Day; and
  - (c) the Forecast Daily Imbalance for the Gas Flow Day.
- 5.3.5 A Forecast Daily Imbalance Nomination may be submitted no earlier than 30 Days before the Gas Flow Day and no later than 04:00 hours on a Gas Flow Day.
- 5.3.6 A User may revise an Initial Forecast Daily Imbalance Nomination in respect of a Gas Flow Day by submitting a further Forecast Daily Imbalance Nomination and where a User submits a further Forecast Daily Imbalance Nomination it shall replace the Initial Forecast Daily Imbalance Nomination or any subsequent Forecast Daily Imbalance Nomination (but without prejudice to the application of this paragraph 5.3 in respect of the Prevailing Forecast Daily Imbalance in respect of any earlier Forecast Daily Imbalance Time).
- 5.3.7 Without prejudice to paragraph 5.3.6., where a User does not submit a Forecast Daily Imbalance Nomination in respect of a Day by 17.00 hours on the Preceding day the User will be deemed to have submitted an Initial Forecast Daily Imbalance Nomination equal to the Prevailing Provisional Daily Imbalance.
- 5.3.8 For the purposes of the further provisions of this paragraph 5.3:
- (a) a User's "**Forecast Performance Measure**" at a Forecast Daily Imbalance Time in respect of a Day shall be calculated as follows:

$$FPM_t = abs (( N_t - A ) - INTQ_t )$$

where:

$FPM_t$  is the Forecast Performance Measure at Forecast Daily Imbalance Time 't';

$N_t$  is the User's Prevailing Forecast Daily Imbalance at Forecast Daily Imbalance Time 't';

A is the User's Daily Imbalance in respect of the Day; and

$INTQ_t$  is the User's Incentivised Nomination Tolerance Quantity at time 't';

- (b) the "**Incentivised Nomination Price**" is in respect of a relevant Day, the price (in pence/kWh) calculated as follows:

- (i) where the User's Daily Imbalance is positive for the relevant Day:

$$INP = (SAP - SMSP)$$

- (ii) where the User's Daily Imbalance is negative, or equal to zero, for the relevant Day:

$$INP = (SMBP - SAP)$$

where:

*INP* is the Incentivised Nomination Price for the relevant Day;

*SAP* is the System Average Price for the relevant Day;

*SMBP* is the System Marginal Buy Price for the relevant Day; and

*SMSP* is the System Marginal Sell Price for the relevant Day; and

- (c) a User's "**Incentivised Nomination Tolerance Quantity**" at a Forecast Daily Imbalance Time '*t*' is calculated as follows:

- (i) where,  $N_t - A$  is greater than 0:

$$INTQ_t = \min(\max(NDMA - NDMN_t, 0), N_t - A)$$

- (ii) where,  $N_t - A$  is less than, or equal to, 0:

$$INTQ_t = \max(\min(NDMA - NDMN_t, 0), N_t - A)$$

where:

*NDMA* is the aggregate of the User's UDQO's in respect of NDM Supply Point Components and relevant Connected System Exit Points for the relevant Day;

*NDMN* is the aggregate of the Nomination Quantities under the User's Prevailing Relevant NDM Nomination at each Forecast Daily Nomination Time '*t*',

and '*N<sub>t</sub>*' and '*A*' have the meanings given in paragraph (a); and

- (d) the "**scaling factor**" in respect of each Forecast Daily Imbalance Time in respect of a Day is 0.25.

5.3.9 The Incentivised Nomination Charge payable by a User in respect of a Daily Imbalance Nomination Time shall be calculated as follows:

$$INS_t = (FPM_t * SF_t * INP)$$

where:

$INS_t$  is the Incentivised Nomination Charge;

$FPM_t$  is the User's Forecast Performance Measure;

$SF_t$  is the scaling factor; and

$INP$  is the Incentivised Nomination Price,

in each case in respect of Forecast Daily Imbalance Time 't'.

- 5.3.10 In respect of a User and in relation to a Day, the "**Total Incentivised Nomination Charge**" payable by a User is the sum of the Incentivised Nomination Charges payable (if any) by the User in respect of the Day and calculated as follows:

$$TINC = \sum_{t=1}^n INC_t$$

where:

$TINC$  is the Total Incentivised Nomination Charge;

$INC$  is the Incentivised Nomination Charge payable by the User in respect of each Forecast Daily Nomination Time 't',

where 'n' is the number of Forecast Daily Nomination Times in respect of a Day.

- 5.3.11 Total Incentivised Nomination Charges shall be invoiced and payable in accordance with Section S."
- 5.3.12 In the event that Transco does not undertake a Market Balancing Action on a Day then the Total Incentivised Nomination Charge payable by a User in respect of that day, will be zero.

## SECTION F: SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

*Amend paragraph 4.4.2 to read as follows:*

"(c) ....in respect of that Day;

(d) Physical Renomination Incentive Charges....; and

(e) Total Incentivised Nomination Charges payable to Transco in respect of that Day."

*Amend paragraph 4.5.3(a)(ii) to read as follows:*

" .... Physical Renomination Incentive Charges, Total Incentivised Nomination Charges, Balancing Charges...."

*Amend paragraph 4.5.3(b)(ii) to read as follows:*

" .... Physical Renomination Incentive Charges, Total Incentivised Nomination Charges, Balancing Charges...."

*Amend paragraph 4.5.3(b)(iii) to read as follows:*

" .... Physical Renomination Incentive Charges, Total Incentivised Nomination Charges, Balancing Charges...."

## **SECTION S: INVOICING AND PAYMENT**

*Add text at paragraph 5 of Annex S-1 to read as follows:*

"(k) ....; and

(l) Total Incentivised Nomination Charges."

Yours sincerely,

Julian Majdanski  
Modification Panel Secretary