

98/07/13/05

**URGENT MODIFICATION PROPOSAL**

**EXTENSION OF 8% BALANCING TOLERANCE FOR COMMISSIONING VLDMC SITES**

**Date :** 13 July 1998  
**Proposed Implementation Date :** 1 September 1998

**Urgency :**  
The ongoing uncertainty surrounding the tolerance applicable to commissioning VLDMCs creates material additional risks and costs for CCGTs under commissioning on 1 September 1998, or expected to enter a commissioning programme shortly thereafter.

**Justification :**  
The impact of Modification 0228 (Convergence of Balancing Tolerances) on commissioning VLDMCs was neither considered nor properly consulted upon. The extension of the 8% tolerance until 1 September 1998 does not fully mitigate the adverse commercial effect of this element of the modification.

Ofgas has suggested that a review be undertaken to assess what terms would be appropriate for commissioning VLDMC and DM sites. Given industry holidays and the ongoing debates on other regulatory issues in gas and electricity, it is unlikely that such a review could be completed to the required level of detail within the next 6 weeks.

**Consequences of not making this change :**  
The ongoing uncertainty of the regime during this time and during any extension which might be caused by a delay creates a portfolio risk which must be managed through acquisition of additional (perhaps unnecessary) optionality or flexibility, or by taking more cashout risk.

**Area of Network Code Concerned**  
Section F 2.2.2

**Nature of Proposal :**  
Commissioning VLDMCs should retain the 8% balancing tolerance indefinitely, or until a modification is approved detailing justified alternative terms to be introduced over an appropriate period.

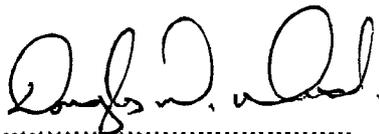
**Suggested Legal Text:**

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

Amend paragraph F 2.2.2

~~"2.2.2 For a period of three months commencing on 1 June 1998, the Applicable Imbalance Tolerance Percentage in respect of a VLDMC Supply Point Component to which paragraph F1.3 applies shall be 8%."~~

**Purpose of Proposal / Achievement of Relevant Objectives :**  
The proposed modification will facilitate economic and efficient operation of the pipeline system by allowing a level of portfolio management more commensurate with the level of forecasting and control appropriate for commissioning VLDMC sites. The proposal will also avoid a situation whereby an affiliate of Transco (BG Storage) secures an unfair commercial advantage through the creation of unreasonable and unjustified balancing terms.



Signed : ..... Date : 13 July 1998

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**Company :** Enron Europe Limited

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