

Network Code Development

31 Homer Road
Solihull
West Midlands B91 3LT

Telephone 0121 626 4431
Direct Line 0121 623 2021
Fax 0121 711 1451

**24 hour gas escape
number 0800 111 999**

25 February 1999

To: Shippers, Panel Members & Non-Network Code Parties

Dear Colleague,

**NOTICE OF IMPLEMENTATION
MODIFICATION PROPOSAL No: 0309
“Close Out of Reconciled Gas”**

Please note that The Final Modification Report, Version 1.0 was signed by Ofgas on 24 February 1999 for Modification Proposal No. 0309.

With effect from 06.00 hours on 25 February 1999, the new Network Code text resulting from this Modification is detailed below.

Modified Text:

TRANSITION DOCUMENT PART II

11. SYSTEM RECONCILIATION

11.1 Condition

11.1.1 The provisions of paragraphs 11.2 and 11.3 are conditional upon:

- (i) Transco and each User (including if Transco so determines any person which was, at any time during the System Reconciliation Period, but is no longer a User) agreeing in writing, not later than 24th February 1999, upon the amount which is the System Reconciliation Quantity (as defined in paragraph 11.2.1(b)) for that User; and

- (ii) each such agreement between Transco and a User being unconditional (or unconditional as to the agreement of the System Reconciliation Quantity) upon the System Reconciliation Date.

11.1.2 If the condition in paragraph 11.1.1 is not satisfied by 15th March 1999, paragraphs 11.2 and 11.3 shall lapse and be of no effect; and Transco will so inform Users as soon as reasonably practicable.

11.1.3 Nothing in this paragraph 11.1 shall require Transco to agree with any User upon any particular amount by way of System Reconciliation Quantity.

11.2 **Interpretation and general**

11.2.1 For the purposes of this paragraph 11:

- (a) the “**System Reconciliation Period**” is the period from 1st March 1996 to 31st January 1998;
- (b) for each User, the “**System Reconciliation Quantity**” is the amount (positive or negative), agreed or to be agreed in writing between Transco and that User, by which it is deemed that:
 - (i) the quantity of gas offtaken in aggregate by the User from the System in the System Reconciliation Period, differs from
 - (ii) the quantity of gas hitherto treated (including as a result of Individual Reconciliation pursuant to Section E6) for the purposes of the Code (including pursuant to the Migration Document, where applicable) as so offtaken;
- (c) “**Aggregate System Reconciliation**” is a reconciliation and adjustment (in accordance with relevant provisions of Sections E and F as applied pursuant to this paragraph 11) in respect of each User’s System Reconciliation Quantity (in respect of the System as a whole and not by reference to any particular System Exit Point);
- (d) the “**System Reconciliation Date**” is the date notified (on not less than 5 Business Days notice) by Transco to Users as such.

11.2.2 It is acknowledged and agreed that:

- (a) for the purposes of enabling the determination of System Reconciliation Quantities, Individual Reconciliation, in so far as relating to periods falling within the System Reconciliation Period, may be or may have been suspended;
- (b) subject to paragraph 11.4, Aggregate System Reconciliation shall be a final and conclusive adjustment and reconciliation in respect of all

quantities of gas which have been or should be allocated to or for the account of any User in relation to the System Reconciliation Period or any part thereof; and accordingly following Aggregate System Reconciliation all provisions of the Code providing for or relating to the determination of such quantities shall be deemed to have been complied with;

- (c) subject to paragraph 11.4, by reason of Aggregate System Reconciliation no further Individual Reconciliation in respect of any such period will be required (and without limitation no Individual NDM Reconciliation will be carried out pursuant to Section E7.5.4 in respect of the period prior to the Reconciliation by Difference Date); and
- (d) accordingly, no further Reconciliation Neutrality Charges will become payable, other than in respect of any Adjustment Reconciliation Neutrality Amount arising after the System Reconciliation Date pursuant to Section F6.5.

11.3 **Aggregate System Reconciliation**

11.3.1 For each User, Aggregate System Reconciliation will be carried out in accordance with the following provisions:

- (a) a Reconciliation Clearing Value shall be calculated by multiplying the User's System Reconciliation Quantity by the arithmetic mean of the month-end SAPs for each relevant month in the System Reconciliation Period; for which purposes:
 - (i) "**month-end SAP**" in respect of a calendar month is the amount which would be determined as System Average Price pursuant to paragraph 6.5.2 (of this Part II) where the NCI Day is the last Day of such month;
 - (ii) a calendar month in the System Reconciliation Period is a "**relevant month**" where the User had any UDQO (including one by way of Unauthorised Gas Flow) for any Day in such month;
- (b) the System Reconciliation Quantity shall be extinguished by a System Clearing Contract in accordance with Section F5 (which shall apply in accordance with paragraph 11.3.3);
- (c) the Aggregate System Reconciliation will be carried out on the System Reconciliation Date, and the Reconciliation Clearing Charge will be treated (for the purposes of Section F5.2.4) as payable in respect of the System Reconciliation Date;

- (d) no Reconciliation Transportation Charge Adjustments shall be made by virtue of the Aggregate System Reconciliation (but without prejudice to any other agreement between Transco and the relevant User);
- (e) notwithstanding Section S, the Invoice Due Date in respect of the Reconciliation Clearing Charge shall be a date agreed between Transco and Users.

11.3.2 Section F6 shall apply, in relation to Aggregate System Reconciliation, separately from its application in relation to Individual NDM Reconciliation, DM Reconciliation and CSEP Reconciliation, on the basis that:

- (a) the Reconciliation Clearing Charge (in accordance with paragraph 11.3.3(c)) for each User shall be deemed to be a Residual Reconciliation Clearing Charge (under Section F6.1.3(c));
- (b) the relevant neutrality month shall be the month of January 1998 (the final neutrality month);
- (c) the first relevant month shall be the month in which the System Reconciliation Date falls;
- (d) Section F6.3.2 shall not apply;
- (e) notwithstanding Section S, the Invoice Due Date in respect of the Reconciliation Neutrality Charge shall be a date agreed between Transco and Users.

11.3.3 For the purposes of Section F:

- (a) the System Reconciliation Quantity shall be deemed to be a Reconciliation Quantity (under Section E6.1.4(d));
- (b) Aggregate System Reconciliation shall be deemed to be Individual Reconciliation (under Section E1.3.1);
- (c) the Reconciliation Clearing Charge (for the purposes of Section F5.2.1) shall be the Reconciliation Clearing Value determined under paragraph 11.3.1(a).

11.4 **Theft of gas**

This paragraph 11 shall not take effect so as to prevent the continued operation of Section E3.6 in relation to the illegal taking of gas during any part of the System Reconciliation Period, and any adjustment to be made pursuant to Section E3.6.1 shall be made in relation to quantities offtaken by the relevant

User (and as though such illegal taking had occurred) after the System Reconciliation Period.

Yours sincerely

A handwritten signature in black ink, appearing to read "P. D. Reardon". The signature is written in a cursive style with a large initial "P".

Secretary, Modification Panel