

MODIFICATION PROPOSAL No. 0364

TITLE: Removal of Charges for Implementation of OCM

DATE: 15th October 1999
PROP. IMPLEMENTATION DATE: 1st October 1999
URGENCY: Non-urgent

CONSEQUENCE OF NOT MAKING THIS CHANGE

Shippers will incur costs not anticipated or justified during the RGTA process.

AREA OF NETWORK CODE CONCERNED

Transitional Document Part II

8.2 Section D 3.4

Proposed legal drafting: Delete this paragraph

NATURE OF PROPOSAL

This Modification seeks to remove charges to shippers which were introduced with the implementation of Modification 0313 until such time as the charges can be properly debated, justified and validated.

This Modification is supported in principle by Yorkshire Energy, Scottish and Southern Energy, Enron Europe, Elf Gas & Power, Dynegy, Shell Gas Direct, Mobil Gas Marketing, Aquila Energy, Alliance Gas Limited, Total Gas Marketing and Total Oil Marine.

PURPOSE OF PROPOSAL

On implementation of Modification 0313 Shippers discovered they would be required to pay Transco £0.55m over a 2 year period.

The level of this charge, and its appropriateness, was never agreed as part of the RGTA discussions, the amount only becoming apparent when legal drafting for this Modification was issued subsequent to its implementation.

The possibility of a charge was mentioned during discussions of the Tender Evaluation Panel, but neither the applicability nor the size of a charge was agreed and no further discussion was undertaken in open forum.

Shippers have already incurred considerable sums for their own systems development and need to understand the reasons for this additional charge.

If at a future time it is deemed that such costs should be recovered by Transco, and a figure is identified and validated, it would be more appropriate for such costs to be recovered through revenue formula, not Network Code.

It should be noted that the MMC report allowed Transco significant sums for system development of AT-Link and the Flexibility Mechanism (FM) under its price control, sums which shippers and customers have already paid for via transportation charges. The FM was developed and replaced by the OCM and therefore such costs should be incurred by Transco. The removal of FM also removes the need for Transco to spend already allocated and received funds for further system development.

It is therefore intended that this charge be removed from the Network Code until such time as there is sufficient justification and validation for the charge.

Identity of Proposer's Representative:

Proposer **Andy Blanchard**

Signature

Position **Network Code Manager**

Company **Eastern Power & Energy Trading Limited**

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number **0364**

Date Received **15/10/99**

Candidate Workstream **Energy Balancing**