

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0511

"Removal of NDM Forecast Deviation from Imbalance Calculations"

Version 1.0

Date: 13/12/2001

Proposed Implementation Date: 01/02/2002

Urgency: Non-Urgent

Justification

Provisions in the Network Code relating to NDM Forecast Deviations reduce Users' exposure to SMP cashout prices arising from the difference between final NDM nominations and NDM allocations. Where the NDM Forecast Deviation might be considered to have contributed to a User's long or short allocated imbalances, (i.e. where the Daily Imbalance and the NDM Forecast Deviation are either both positive or both negative), the User's Daily Imbalance, up to the ITQ threshold, is cashed out at System Average Price (SAP) and the remaining imbalance is cashed out at System Marginal Prices (SMP_{sell} or SMP_{buy}, depending on the direction of the imbalance). The NDM Forecast Deviation therefore reduces Users' exposure to SMP.

The removal of the NDM Forecast Deviation from imbalance calculations would further enhance User incentives to balance by increasing Users' exposure to their allocated imbalance. Such removal may therefore be expected to improve the degree of cost targeting within the regime.

Nature of Proposal

It is proposed that the NDM Forecast Deviation should no longer afford any prospect of any element of a User's imbalance being cashed out at SAP. The proposed change, if implemented, will effectively set the Imbalance Tolerance Quantity to zero.

Purpose of Proposal

User incentives to balance will be enhanced thus potentially reducing the need for Transco to take balancing actions and allowing it to better fulfil its "residual system balancer" role more efficiently. Implementation of the Proposal will therefore better facilitate efficient and economic operation, as stated in Standard Condition 9 1(a). Furthermore, targeting costs to out of balance Users could help secure more effective competition between shippers, as stated in Standard Condition 9 1(b).

Consequence of not making this change

User incentives to balance will not be enhanced, and there will be no improvement in cost targeting.

Area of Network Code Concerned

Section F2: Daily Imbalances.

Proposer's Representative

Shafqat R Ali (Transco)

Proposer

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Signature

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