

**TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0519**  
"Removal of Energy Balancing Incentives from the Network Code"  
Version 1.0

**Date:** 17/12/2001

**Proposed Implementation Date:** 01/04/2002

**Urgency:** Non-Urgent

**Justification**

Ofgem has proposed a revised structure for Transco's NTS System Operator (SO) incentives whereby the definition of Transco's incentives, incentive parameters and provisions for the calculation of incentive amounts would be contained within Transco's Gas Transporters (GT) Licence.

This Modification Proposal is required to facilitate the implementation of Ofgem's proposals in respect of Transco's NTS System Operator incentive scheme by facilitating the migration of Transco's Energy Balancing Incentive scheme from the Network Code into Transco's GT Licence. This migration would result in the distribution of NTS SO Energy Balancing incentive amounts being managed through Transco's GT Licence as part of the calculation of Transco's NTS SO allowed revenue. Accordingly, the Network Code would need to be amended to enable the payment of Energy Balancing incentive amounts to be managed via the proposed NTS SO Commodity Charge.

In the event that Transco's Energy Balancing incentives are incorporated into Transco's GT Licence, the removal of existing provisions from the Network Code which relate to Energy Balancing incentives would be necessary to mitigate the risk of a conflict arising between the terms of the Network Code and Transco's GT Licence. Therefore, Transco believes that implementation of this Modification Proposal would be required to facilitate adherence to the relevant objective contained in Standard Condition 7(1)(b) of its GT Licence, i.e. the efficient discharge of Transco's obligations under its GT Licence.

**Nature of Proposal**

The nature of this Modification Proposal is to remove existing provisions that relate to Transco's Energy Balancing Incentive from the Network Code. The Energy Balancing incentive would instead be defined within Transco's GT Licence.

It would be necessary to ensure that the proposed amendments to the Network Code are coordinated with any relevant amendments to Transco's GT Licence to avoid any conflict between the terms of the two documents.

The Network Code provisions which relate to and underpin the Energy Balancing neutrality process are outside the scope of this Modification Proposal.

### **Purpose of Proposal**

The purpose of this Modification Proposal is to facilitate implementation of the proposed NTS SO incentive schemes and to achieve this in a manner that is consistent with the 'relevant objectives' as defined by Transco's GT Licence. It is also the purpose of this Modification Proposal to enable Transco to manage NTS SO Energy Balancing incentive amounts via the proposed NTS SO Commodity charge.

### **Consequence of not making this change**

Failure to implement this Modification Proposal could lead to inconsistency, duplication and conflict between the provisions of the Network Code and Transco's GT Licence.

### **Area of Network Code Concerned**

Section D3 'Energy Balancing Incentives'  
Section F 'System Clearing, Balancing Charges and Neutrality'  
Transitional Document Part II 8.2.1

### **Proposer's Representative**

Andy Cruise (Transco)

### **Proposer**

Tim M Davis (Transco)

### **Signature**

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