

28/03/2002

Dear Colleague,

**NOTICE OF IMPLEMENTATION
MODIFICATION PROPOSAL No: 0539**

"Changes to Capacity Neutrality to enable Implementation of Final SO Incentive Proposals"

Please note that Modification Proposal No 0539 was implemented with effect from 06:00 hours on 01/04/2002. The Final Modification Report, Version 1.0, was signed by Ofgem on 28/03/2002.

The new Network Code text resulting from this Modification follows.

Modified Text:

TRANSITION DOCUMENT, PART II

Add new paragraph 8.1.12 to read as follows:

"B2.13 With effect from 1st April 2002 and without prejudice to the continued application of paragraph 8.1.11 of this Part II in respect of preceding calendar months, Section B2.13 shall continue not to apply and the arrangements set out in paragraphs (2) to (6) (inclusive) and (17) of paragraph 8.1.11 shall apply in respect of each calendar month such that the difference between amounts received or receivable and paid or payable by Transco in a calendar month in respect of Relevant Capacity Revenues and Relevant Capacity Costs shall be payable or recoverable from relevant Users (as defined in paragraph 8.1.11) (and such amount shall not be reduced by any amount to be retained or borne by Transco), provided that for each Aggregate System Entry Point and in respect of a calendar month:

- (1) without prejudice to paragraph (3), Relevant Capacity Revenues:
 - (a) shall not, save where provided in paragraph 8.1.3B below, include Capacity Charges payable to Transco in respect of Daily System Entry Capacity (for a Day in the relevant calendar month) where the User was first registered as holding the Daily System Entry Capacity pursuant to a capacity allocation on the Preceding Day; and
 - (b) shall include System Entry Overrun Charges payable by Users in respect of a Day in the relevant calendar month;
- (2) Capacity Neutrality Charges shall not include User Monthly Capacity Incentive Amounts;

- (3) when calculating the Capacity Revenue Neutrality Charge Relevant Capacity Revenues shall be deemed to be reduced by the amount of System Entry Overrun Charges payable by Users in respect of a Day in the calendar month; and
- (4) when calculating the Capacity Cost Neutrality Charge, Relevant Capacity Costs shall be deemed to include System Entry Overrun Charges payable by Users in respect of a Day in the calendar month."

Yours sincerely,

Julian Majdanski
Modification Panel Secretary