

09/03/2009

Dear Colleague,

**NOTICE OF IMPLEMENTATION
MODIFICATION PROPOSAL No: 0235**

“Recovery of Debt and Smearing of Revenues via Energy Balancing Neutrality”

Please note that Modification Proposal No 0235 will be implemented at 06.00 on 01/04/2009. The Final Modification Report, Version 3.0, was signed by Ofgem on 05/03/2009.

The new Code text resulting from this Modification follows:

Modified Text:

**UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL
DOCUMENT
SECTION F - SYSTEM CLEARING, BALANCING CHARGES AND
NEUTRALITY**

4 BALANCING NEUTRALITY CHARGES

4.1 Introduction

delete paragraph 4.1.2 and replace with the following:

4.1.2 For the purposes of this paragraph 4:

- (a) **"relevant User"** means subject to paragraph 4.1.2 (e) below, any User other than a Shrinkage Provider, and National Grid NTS when acting for Operating Margins Purposes;
- (b) **"relevant UDQI"** means a UDQI of a relevant User;
- (c) **"relevant UDQO"** means a UDQO of a relevant User; ~~and~~
- (d) **"relevant Adjustment Day"** is the Day that any of the charges or amounts set out in paragraphs 4.5.2 and 4.5.3 relate to; and
- (e) for the purposes of paragraph 4.5 references to relevant User shall mean Users that were a User on the relevant Adjustment Day and on the relevant Day.

4.2 Payment of charge

Delete paragraph 4.2.2 and replace with the following:

4.2.2 For each relevant User the Balancing Neutrality Charge shall be calculated as the sum of:

- (a) the Unit Daily Neutrality Amount multiplied by the sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Day;
- (b) the Adjustment Neutrality Amount for the relevant Day.

4.3 Unit Daily Neutrality Amount

Delete paragraph 4.3.1 and replace with the following:

4.3.1 The "**Unit Daily Neutrality Amount**" for a relevant Day is the ~~sum of the Basic Net Neutrality Amount (under paragraph 4.4) and the Adjustment Neutrality Amount (under paragraph 4.5)~~ for the relevant Day, divided by the sum of all relevant UDQIs and relevant UDQOs for all relevant Users.

4.5 Adjustment Neutrality Amount

Delete paragraphs 4.5.1, 4.5.2 and 4.5.3 and replace with the following:

4.5.1 The "**Adjustment Neutrality Amount**" for a relevant User for a Day is the sum of:

- (a) the "**Daily Adjustment Neutrality Amount**" for the relevant Day in accordance with paragraph 4.5.2;
- (b) the amount of the "**Monthly Adjustment Neutrality Amount**" determined under paragraph 4.5.3 for the calendar month (the "**relevant month**") in which the relevant Day falls, divided by the number of Days in the relevant month; and
- (c) the amount of the rounding adjustment in respect of the preceding Day in accordance with paragraph 4.5.5 divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day.

4.5.2 The "**Daily Adjustment Neutrality Amount**" for a relevant Day is the sum of:

- (a) the Daily Margins Recovery Amount in accordance with Section K5.2; and
- (b) the Clearing Charges payable by National Grid NTS in respect of Unauthorised Gas Flows (in accordance with Section E4.2.2(a)) at System Entry Points; less
- (c) the Clearing Charges payable to National Grid NTS in respect of Unauthorised Gas Flows (in accordance with Section E4.2.2(b)) at System Exit Points,

divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day.

4.5.3 The "**Monthly Adjustment Neutrality Amount**" for the relevant calendar month (month 'm') is:

- (a) the sum of the following amounts:
- (i) the magnitude of the Balancing Neutrality Financing Adjustment for each Day in month m for which it is positive divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day.
 - (ii) the amount of any Market Balancing Action Charges (other than Market Balancing Action Charges in relation to any Market Balancing Action taken as a result of a Localised Transportation Deficit and/or a Transportation Constraint), other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint), Physical Renomination Incentive Charges, Total Incentivised Nomination Charges, Balancing Charges, Balancing Neutrality Charges, User Aggregate Reconciliation Clearing Charges, Reconciliation Clearing Charges (payable to National Grid NTS) or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points which were due for payment to National Grid NTS in respect of each Day in month m-2 but were unpaid to National Grid NTS as at the last Day of month m, divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day.
 - (iii) the amount of any costs, expenses, payment or other amount incurred by National Grid NTS as referred to in Section E2.3.7(c) in connection with any claim by a third party in respect of gas subject to an Unclaimed Entry Allocation Statement and paid in month m divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day.
 - (iv) the amount of any interest paid (in accordance with Section S4.3.2) by National Grid NTS to any User on any Day in month m by virtue of the User having made an over-payment in respect of any of such amount as is referred to in paragraph (ii) divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day;

- (v) any other amount (an **"additional Monthly Adjustment Neutrality Cost"**):
 - (1) provided to be included in this paragraph (a) in relation to month m under any provision of the Code; or
 - (2) incurred by National Grid NTS in month m where the Authority has, upon National Grid NTS's application, given condition A11(18) Approval to National Grid NTS recovering such amount, or amounts of such kind, by inclusion in this paragraph (a)

divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day.

- (vi) the amount of the Reconciliation Clearing Charges, relating to DM Reconciliation in respect of NTS Supply Meter Points or CSEP Reconciliation in respect of NTS Connected System Exit Points, payable by National Grid NTS in respect of Days in month m divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day; and
- (vii) the amount of any costs, expenses or other amount incurred by National Grid NTS in providing security and/or collateral to the Trading System Operator (pursuant to the Trading System Arrangements) in respect of Market Balancing Actions taken or to be taken by National Grid NTS and paid in month m divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day.

less:

- (b) the sum of the following amounts:
 - (i) the magnitude of the Balancing Neutrality Financing Adjustment for each Day in month m for which it is negative divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day;
 - (ii) the amount of any Market Balancing Action Charges (other than Market Balancing Action Charges in relation to any Market Balancing Action taken as a result of a Localised Transportation Deficit and/or a Transportation Constraint), other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint), Physical Renomination Incentive

Charges, Total Incentivised Nomination Charges, Balancing Charges, Balancing Neutrality Charges, User Aggregate Reconciliation Clearing Charges, Reconciliation Clearing Charges (payable to National Grid NTS) or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points which:

- (1) was unpaid as at the last Day of month m-3 and were taken into account (under paragraph (a)(ii) above) in calculating the Monthly Adjustment Neutrality Amount for month m-1; but
- (2) has been paid to National Grid NTS since the last Day of month m-1

divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day;

- (iii) the amount of any interest paid (in accordance with Section S4.3.2) by any User to National Grid NTS on any Day in month m by virtue of the late payment of Market Balancing Action Charges (other than Market Balancing Action Charges in relation to any Market Balancing Action taken as a result of a Localised Transportation Deficit and/or a Transportation Constraint), other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint), Physical Renomination Incentive Charges, Total Incentivised Nomination Charges, Balancing Charges, Balancing Neutrality Charges, User Aggregate Reconciliation Clearing Charges, Reconciliation Clearing Charges or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points; divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day; and
- (iv) any other amount (an "**additional Monthly Adjustment Neutrality Revenue**") provided to be included in this paragraph (b) in relation to month m under any provision of the Code divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day.

Yours sincerely,

John Bradley
Modification Panel Secretary