

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0655
"Price change notification periods"
Version 1.0

Date: 09/10/2003

Proposed Implementation Date: 01/12/2003

Urgency: Non-Urgent

Justification

On 29 September 2003, Transco published new, increased NTS exit prices to be implemented from 1 December 2003. This followed Transco's previous publication of prices on 31 July 2003 to increase LDZ prices from October 2003. Transco had published indicative prices on 31 May 2003 which did not include any indication of an increase of 5% in the final LDZ prices. Until the final notice was provided, there had been no indication from Transco that the prices would alter so significantly. That price increase has significant effects on shippers and suppliers, many of whom are finalising contracts during this time (for the I&C market) or have published prices based on assumptions regarding transportation prices (for the domestic market).

The recent notice of increases in prices had only been flagged by an option which would result in price increases, however this was not sufficiently well highlighted to allow shippers to react with any certainty. There has also been an indication that there could be further price increases in April 2004 but again, it is difficult to forecast the likelihood of these occurring. Transco makes reference to a possible pricing methodology change to introduce a TO commodity charge. However, to date, there has been no formal proposal to Ofgem and it is not clear how likely it is that this will be proposed, let alone allowed by Ofgem.

Nature of Proposal

Transco should be obliged to publish price changes at least 3 months ahead to provide greater certainty to the market. It should also be required to publish indicative prices 3 months prior to this (ie 6 months before implementation). Furthermore, after the publication of indicative prices and before the publication of final prices, Transco should use its best endeavours to ensure that it informs Users as soon as practicable of any change to its assumptions / data that it becomes aware of that could have a material effect on the final prices published.

Purpose of Proposal

The proposal will provide Users with better information about the likely direction of future changes to Transco's prices. Furthermore, it will allow for better notice of changes to prices, allowing Users to better respond to these changes. This proposal will better facilitate the Relevant Objectives of the Network Code by furthering effective competition between shippers and suppliers and by ensuring efficient operation of the pipe-line.

Consequence of not making this change

Users will continue to be subject to unexpected changes to the Transco's prices, increasing risk and undermining effective competition. The costs of covering this increased risk will be detrimental to competition and could lead to costs being passed on to consumers.

Area of Network Code Concerned

Section B

Proposer's Representative

Tanya Morrison (Shell Gas Direct Ltd)

Proposer

Tanya Morrison (Shell Gas Direct Ltd)

Signature

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