

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0651
"Increase the number of rounds in the Annual auctions for MSEC "
Version 1.0

Date: 12/09/2003

Proposed Implementation Date: 01/11/2003

Urgency: Non-Urgent

Justification

The long term auctions were established by Modification 500, this modification established that 20% of baseline capacity should be reserved for short term release, in line with Transco's licence obligations. The modification also established a mechanism for releasing this 20% through a single round "pay as bid" annual auction.

Subsequent modifications allowed for an interim process of six monthly auctions to continue to release 100% of baseline capacity until the first year of the 20% hold back could be applied. Modification 616 "Revision to the Standard Year for purposes of acquiring and holding Annual Monthly System Entry Capacity" raised by British Gas Trading Limited, established that the annual capacity should be release over a year beginning in April. In the first year of release this will mean that the first six month of capacity available will be 100% of baseline and the final six months will be the 20% of baseline capacity. The would mean shippers bidding for a share of 100% of baseline capacity over 1 round.

The previous sixth monthly auctions were conducted over four rounds with 25% of capacity released in each round. This proposal would increase the number of rounds in the annual MSEC auctions from 1 to 4 with unsold capacity from the first three rounds transferred in to the final round. This would ensure that shippers had more information on the demand for capacity and greater number of opportunities to obtain it.

Nature of Proposal

To increase the number of rounds over which the annual MSEC auction operate from 1 to 4

Purpose of Proposal

To increase the level of price discovery in the auction process and the number of opportunities for securing System Entry Capacity.

Consequence of not making this change

Failure to make this change would create inflationary pressure on prices and increase the risk of over recovery

Area of Network Code Concerned

Section B

Proposer's Representative

Robert Cross (Statoil (U.K) Ltd.)

Proposer

Robert Cross (Statoil (U.K) Ltd.)

Signature

.....