

Draft Modification Report
Increase the number of rounds in the Annual auctions for MSEC
Modification Reference Number 0651

Version 1.0

This Draft Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

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

2. Transco's Opinion

Transco does not consider that adjusting the number of auction rounds for Annual Monthly System Entry Capacity (AMSEC) will have a significant impact upon its operations. It is therefore broadly neutral to the intent of this proposal.

Transco believes that the proposer wished to address the AMSEC auction scheduled to be held within February 2004 which will offer 100% of baseline entry capacity for the initial six months (April 04 to September 04), which is a result of this period having not previously been offered in any auction. It had previously been intended that the April 04 to September 04 period should have been offered in an MSEC auction to be held in August 03 and that the quantity offered in that auction would be 12-months from October 03 to September 04 over 4 rounds. In the event Modification Proposal 0616 was implemented which changed the period offered in that August auction to a 6-month period (October 03 to March 04). Transco considers that this proposal is driven largely as a consequence of that change and agrees that a proposal to offer the period April 04 to September 04 over 4 rounds has merit. We are less convinced that a 4 round AMSEC auction will always be required because it is our expectation that the quantities on offer at major beach entry points will be much reduced as increasing quantities are taken up in Long Term System Entry Capacity (LTSEC) auctions. It is, however, also true that large quantities may continue to be offered in AMSEC auctions at storage sites where little long term demand has been in evidence, although low levels of demand suggest that the re-pricing opportunities offered by multiple rounds will largely be unnecessary. Auction participants are best placed to determine whether implementation of this Proposal supports AMSEC arrangements on an enduring basis, in this respect Transco welcomes the opinion of interested parties.

Entry capacity auction IT systems are considered by Transco to be have sufficient functionality flexibility to cater for further AMSEC auction rounds should the Proposal be implemented.

3. Extent to which the proposed modification would better facilitate the relevant objectives

The Proposer does not state how implementation of the Proposal would better facilitate the relevant objectives.

**4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:**

Transco considers there to be no such implication.

b) development and capital cost and operating cost implications:

Transco considers there to be no capital costs associated with the Proposal and insignificant additional operating costs associated with the administration of additional rounds within the annual auction.

c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:

No additional costs are expected.

d) analysis of the consequences (if any) this proposal would have on price regulation:

Transco considers there to be no such consequence.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal

Transco anticipates that implementation of the Modification Proposal would have no such consequence.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

Transco retains computer system flexibility to operate single or multiple auction rounds and is unaware of any further implications related to computer systems.

7. The implications of implementing the Modification Proposal for Users

Transco would welcome representations in this respect.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

Transco would welcome representations in this respect.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

No such consequences are envisaged.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantage:

Increased information provision.

Disadvantage:

AMSEC quantities offered in each round may be small.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Transco now seeks responses to this Draft Modification Report.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

No such requirement exists in respect of the Modification Proposal.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

No such requirement exists in respect of the Modification Proposal.

14. Programme of works required as a consequence of implementing the Modification Proposal

Transco does not anticipate any system development as a consequence of implementing this Modification Proposal.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

Draft Modification Report circulated - 9 October
Consultation period ends - 30 October
Final Modification Report issued - 20 November
Ofgem decision expected - late November
Effective date for implementation of Proposal - 1 December

16. Recommendation concerning the implementation of the Modification Proposal

17. Text

SECTION B: SYSTEM USE AND CAPACITY

Amend paragraph 2.2.3 to read as follows:

“2.2.3 Transco’s annual invitation under paragraph 2.2.2 will specify:

- (a) the dates (on which applications pursuant to the annual invitation may be made), which for the purposes of:
 - (i) paragraph 2.2.2(a), shall be four dates (each of which shall be a Business Day) on which applications pursuant to such annual invitation may be made; the period between each such date shall not be less than two Business Days; and
 - (ii) ...;(each such date an “**annual**” invitation date);
- (b) for each Aggregate System Entry Point, and in respect of each of Capacity Year +1 to Capacity Year +16 (inclusive), the Available System Entry Capacity (and, in respect of Capacity Year +1 and Capacity Year +2, the

Available Monthly Capacity as referred to in paragraph (e) below and the reserve price for Unsold System Entry Capacity (in accordance with the Transportation Statement) (the “**reserve price**”);

(c) ...;

(d) ...; and

(e) for each Aggregate System Entry Point and in respect of Capacity Year +1 and Capacity Year +2, the Available Monthly Capacity for the relevant calendar month on the relevant annual invitation date. The “**Available Monthly Capacity**” for a calendar month shall mean, in respect of the first three annual invitation dates, an amount equal to 25% of the amount of the Available System Entry Capacity for that calendar month (as determined immediately prior to the first such annual invitation date); and in respect of the fourth annual invitation date shall mean an amount equal to the Available System Entry Capacity for that calendar month (again as determined immediately prior to the first such annual invitation date) less the amount of System Entry Capacity allocated in aggregate pursuant to the first three annual invitation dates for that calendar month.”

Amend paragraph 2.2.8(a) to read as follows:

“(a) in aggregate in respect of all annual invitation dates, up to but not more . . .”

Amend paragraph 2.2.9(b)(i) to read as follows:

“(i) where such bid is a monthly capacity bid, on the relevant invitation date;”

Amend paragraph 2.2.13(a) to read as follows:

“(a) the aggregate System Entry Capacity Charges payable by the User were all the ...”

Amend paragraph 2.2.13(b) to read as follows:

“(b) the User’s Relevant Code Indebtedness at 17:00 hours on any Business Day . . .”

Amend paragraph 2.7.2(a) to read as follows:

“(a) all capacity bids submitted in respect of the relevant short term period (excluding any bid rejected pursuant to paragraphs 2.2.11, 2.3.6, 2.4.6 or 2.5.6) will be ranked in order of bid price (the highest price ranking first) save that in the case of monthly capacity bids made pursuant to paragraph 2.2.4 the ranking will be made in respect of each relevant annual invitation date;”

Amend paragraph 2.7.2(b)(i) to read as follows:

“(i) in the case of monthly capacity bids made pursuant to paragraph 2.2.4, the Available Monthly Capacity for the relevant annual invitation date for the calendar month;”

Amend paragraph 2.7.7 to read as follows:

“2.7.7 Transco will:

- (a) in respect of Monthly System Entry Capacity allocated in respect of Capacity Year +1 not later than one month following the final date on which applications for Monthly System Entry Capacity could be made . . . ;
- (b) in respect of Monthly System Entry Capacity allocated in respect of Capacity Year +2 not later than two months following the final date on which applications for Monthly System Entry Capacity could be made . . . ;

....”

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report

Signed for and on behalf of Transco.

Signature:

Russell Cooper
Transmission Access Development Manager
NT & T

Date: