

Draft Modification Report
Determination of Additional Available Daily System Entry Capacity
Modification Reference Number 0621

Version 1.0

This Draft Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

It is proposed that the determination of Available Within-Day Capacity should be amended to reflect the arrangements that presently apply at the day-ahead stage such that the quantity to be made available should be equal to the sum of any Unsold System Entry Capacity plus any additional Daily System Entry Capacity that Transco may in its sole discretion choose to make available for the day.

2. Transco's Opinion

Transco supports implementation of the Proposal because implementation would:

1. Enable a consistent process to be utilised by Transco to determine the quantities of Daily System Entry Capacity that can be released at both the day ahead and within-day stage; and
2. Allow Transco to more efficiently optimise capacity allocation

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

Transco believes that implementation of the Modification Proposal should reduce the risk of stranding gas off-shore within-day by enabling Transco to take into account a range of factors, including the probability that previously released capacity will be utilised for the purposes of gas flow. Furthermore, Transco believes that the removal of restrictions in respect of the determination of Available With-Day Capacity would increase the efficiency of capacity release which might be expected to increase Shipper ability to be able to purchase capacity thereby promoting competition between Shippers.

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

Transco has not identified any implications for operation of the System.

b) development and capital cost and operating cost implications:

None.

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:

Transco considers that no additional costs would arise should this Proposal be implemented.

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 may impact upon the Entry Capacity buy back incentive defined in Special Condition 28B Part 2 14(7) of the Transco Licence to the extent that Transco would be able to release more Daily System Entry Capacity within day.

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

Transco is unaware of any such implications.

7. The implications of implementing the Modification Proposal for Users

Transco considers that Users may have a greater opportunity to obtain above baseline capacity within day if this Proposal were to be implemented. To the extent that additional sales may be made Users should be aware that the risks and rewards accrued to the Entry Capacity buy back incentive would change.

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

Transco has not been made aware of any such implications.

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

Advantages:

1. Reduced risk of gas being stranded off-shore;

2. Higher secondary capacity prices may be avoided by Network Code parties;
3. Creates a potential revenue opportunity to capacity buy back incentive from additional daily capacity sales.

Disadvantages

1. Creates a potential for increased buy back costs if additional Daily System Entry Capacity is released.

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

No such requirement exists in respect of the Modification Proposal.

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

Draft Modification Report circulated - 10th April 2003

Consultation period ends - 6th May 2003

Final Modification Report issued - 28th May 2003

Ofgem decision expected - August 2003

Effective date for implementation of Proposal - 1st October 2003

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of this Modification Proposal from 1 October 2003.

17. Text

SECTION B: SYSTEM USE AND CAPACITY

Delete text at paragraph 2.4.7 and replace with text to read as follows:

2.4.7 For each Day (or part of each such Day) in respect of each Aggregate System Entry Point, where Available Daily Capacity is available Transco will initiate a capacity allocation period.

Amend paragraph 2.4.13 to read as follows:

2.4.13 For the purposes of this paragraph 2.4:

- (a) the "**Available Daily Capacity**" in relation to an Aggregate System Entry Point, is an amount of Daily System Entry Capacity equivalent to the sum of Unsold System Entry Capacity (which was available for such Day in accordance with paragraph 2.3 (if any)) which remains available following the application of paragraph 2.3 in respect of each Day in the calendar month in which such Day falls and any additional Daily System Entry Capacity that Transco may in its sole discretion choose to make available for the Day (if any);
- (b) the "**bid effective time**" is the time on the hour in relation to a daily capacity bid being the later of:
 - (i) 06:00 hours on the Gas Flow Day; or
 - (ii) the time falling no earlier than 60 minutes after Daily System Entry Capacity has been allocated in respect of such bid;
- (c) a "**capacity allocation period**" is the period of 15 minutes, in which Transco conducts capacity allocation at an Aggregate System Entry Point for a Day, and which subject to there being Available Daily Capacity and available daily capacity bids at such time:
 - (i) first commences at 13:00 hours on the Preceding Day to that for which the Daily System Entry Capacity is applied for;
 - (ii) commences on any hour bar falling thereafter up to and including 02:00 hours on the Day for which the Daily System Entry Capacity is applied for (but not thereafter);
- (d) a "**capacity allocation**" is the allocation of Daily System Entry Capacity during a capacity allocation period in accordance with paragraph 2.7;
- (e) a "**fixed bid**", is a daily capacity bid in relation to which the Daily System Entry Capacity applied for is not conditional on the bid effective time and a "**reducing bid**" is a daily capacity bid in relation to which the amount of Daily Entry Capacity applied for is determined as:

$$(DSEC / BET) * N$$

where:

DSEC is the amount of Daily System Entry Capacity applied for when the bid was first submitted;

- BET commencing from the earliest bid effective time in respect of such bid, the number of hours remaining on the Gas Flow Day;
- N the number of hours remaining from the actual bid effective time were Daily System Entry Capacity to be allocated in respect of such a bid.

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:

Nigel Sisman
Manager, Gas Balancing
NT & T

Date: