

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0530

"Volume based test for Summer 2002 Entry Capacity"

Version 1.0

Date: 31/01/2002

Proposed Implementation Date:

Urgency: Urgent

Justification

As part of the development of the auction requirements for summer 2002 it has been highlighted that issues associated with the management of over/under recovery and buybacks arrangements are subject to gas transporter licence change revisions that will not be effective until after the completion of the auction process in February 2002. This potentially results in an entry capacity product being offered for sale that will be different from the one available for use from 1st April 2002.

The purpose of this proposal is for the summer 2002 entry capacity auction to be preceded by a single volume based round to test whether User entry capacity requirements are within the Baseline Capacity quantities being offered by Transco

Nature of Proposal

The proposal is as follows:

A preliminary allocation round is included immediately before the pay-as-bid auction process;

Users will be required to submit to Transco their volume requirements per ASEP per month;

In the event that the aggregate of the volume requirements per ASEP per month is less than the published Baseline Capacities, then capacity will be released by Transco to match the Users requirements. All entry capacity would be sold at the reserve price, and the further rounds of the auction process will not be held;

In the event that at any ASEP in any month the aggregate volume bid per ASEP exceeds the Baseline Capacity then the auction process will continue for all ASEPs for the months in which the Baseline Capacity is exceeded.

Purpose of Proposal

This Modification Proposal is intended to provide clarity to Users, at the time of the auction process, as to the product that is being offered for sale, by establishing whether there is likely to be any over-recovery in the auction period.

In addition the Users will give clear signals as to capacity volumes required and whether demand for capacity will exceed Baseline Capacity provisions. In the event that capacity demanded is below the Baseline Capacity provisions over-recovery will be eliminated.

The process will provide efficiency in the auction process by removing auction rounds where these are not necessary.

Consequence of not making this change

The failure to make this change will maintain the uncertainty in the way over-recoveries will be managed which will prevent Users from determining adequate bidding strategies. This uncertainty is created by the inconsistency in timing between the summer 2002 auction process and Ofgem licence changes, whereby such licence changes will be determined after the completion of the auction process.

Area of Network Code Concerned

Section B 2.3

Proposer's Representative

Andrew Knights (TOTALFINAELF Exploration UK PLC)

Proposer

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Signature

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