

Network Code Modification Proposal No: 0489

Short title: Revision to NTS Entry Capacity Auction timetable 2001

Date: 21st August 2002

Proposed Implementation Date: by 29th August 2001

Urgency: Urgent

Justification:

Transco are due to hold the MSEC and MISEC entry capacity auctions commencing Wednesday 29th August 2001. However, the industry is awaiting decisions from the Gas and Electricity Markets Authority on Modification 488 and Transco's Pricing Consultations 65 and 66. In addition, a further modification addressing the capacity neutrality smear has been submitted to Ofgem for a decision on urgency.

Given the significant changes introduced by Modification 481 and the potential ramifications with respect to Buyback costs, the Relevant Objectives are met by permitting further time to improve the working of the regime for the forthcoming auction.

Nature of Proposal:

The NTS Entry Capacity Auctions for capacity made available from October 2001, should have the start date deferred from Wednesday 29th August 2001 to Tuesday 4th September 2001. The MSEC auctions will then take place every other working day, namely 4th, 6th, 10th, 12th and 14th September 2001. Given the accepted Modifications, it is acceptable to maintain the MISEC auction dates on the 12th and 14th September 2001, as the decisions between MSEC and MISEC holdings have to a certain extent become independent. However, the MISEC auctions could be held on the 17th and 19th September 2001 if Code changes make this easier than keeping two different auction types on the same days.

Purpose of Proposal:

To give the industry further time to ensure the capacity auction rules are as efficient and non-discriminatory as possible, consistent with the relevant objectives. The implications of Modification 481 are estimated by Transco to generate buyback costs of between £24 and £113m with a 90% degree of confidence. There needs to be sufficient time to satisfactorily address the implications of this distortion.

Furthering relevant objectives:

To give the industry further time to ensure that the rules surrounding entry capacity release and buyback are economic and efficient.

Consequences of not making this change:

The entry capacity auctions continue as defined within the Network Code and as may be amended by Modification 488 and any other outstanding Modification proposals. The entry capacity rules may result in substantial sub-optimal cost distribution during the course of winter 2001/2.

Area of Network Code concerned: Section B

Identity of Proposer's representative: Alex Barnes

Proposer: Mark Dalton