

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0480

"Fifth Round Monthly System Entry Capacity Allocation"
Version 2.0

Date: 16/07/2001

Proposed Implementation Date: 31/07/2001

Urgency: Urgent

Justification

Urgent Status is requested for this Modification Proposal to enable a resolution to be gained prior to the forthcoming auctions of Monthly System Entry Capacity (MSEC). Those auctions are scheduled to commence on 13 August. However, a resolution is requested before that date to allow time for shippers to consider their bid strategies. Transco would also require time to issue an amendment to its invitation to auction. The Modification Proposal, if implemented, will further reduce reliance upon historic gas flow when allocating MSEC to each Aggregate System Entry Point (ASEP). The result will be a higher level of shipper to shipper competition and a greater responsiveness to forward looking commercial requirements.

Nature of Proposal

This Modification Proposal is intended to increase the level of competition for Monthly System Entry Capacity. In particular it will enable larger quantities to be offered in what is known as the 5th round of MSEC auctions. The proposal below implies a change to the method of calculating Determined System Entry Capacity or Available Monthly Capacity with respect to each ASEP.

It is proposed that the current published volumes of Determined System Entry Capacity be offered in equal sized tranches for rounds 1 to 4 of the MSEC auctions.

That the volumes be increased to $SND + 20\%$ (from the published $SND + 10\%$) and that the incremental volume be added to any quantities remaining unsold from the preceding auction rounds and will be offered in round 5.

The Network Code rules for operating round 5 will remain unchanged from the present arrangements in all other respects. Shippers will consequently be afforded an opportunity to bid for a greater proportion of Determined System Entry Capacity through round 5.

Purpose of Proposal

The Modification Proposal, if implemented, is expected to enable more capacity to be offered for use at the places where shippers value it most highly. This should have the effect of furthering shipper to shipper competition. That outcome would be achieved by ensuring that at an increase in the level of Determined System Entry Capacity is made available in the fifth round of MSEC auctions. Shippers will then be able to obtain larger quantities of capacity on a competitive basis than would be the case if the present arrangements continue to be applied.

Allocation of a larger proportion of capacity through a competitive 5th round should also tend to further economic and efficient operation of the system. That beneficial outcome could be

achieved by enabling increased quantities to be allocated to ASEPs in line with shippers commercial requirements as reflected through their bid valuations.

This modification has been raised as an alternative to urgent modification 0477. We believe Modification Proposal 0477 would increase the pressure on prices in the first four auction rounds due to the decrease in the available volumes.

Consequence of not making this change

If the Modification Proposal is not implemented then the present MSEC arrangements detailed in Section B of the Network Code will continue to apply.

Area of Network Code Concerned

B2.3

Proposer's Representative

Mike Young (BGT)

Proposer

Simon Goldring (BGT)

Signature

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