

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0481
"Release of ASEP Maximum System Entry Capacity Volumes for MSEC Auction"
Version 1.0

Date: 18/07/2001

Proposed Implementation Date:

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. 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 substantially reduce shipper uncertainties as to whether the capacity made available at auction through the existing methodology has in any way been compromised by Transco exercising its discretion in a manner that is to its own interests.

This is important to ensure that shippers at any terminal do not feel discriminated against compared to shippers at any other terminal. It will further reduce reliance upon historic gas flow when allocating MSEC to each Aggregate System Entry Point (ASEP) and allow shippers to indicate the level of capacity requirement. The result will be a moderation of prices paid at constrained terminals and reduce uncertainties surrounding assumptions made by Transco on terminal capacity requirements.

Nature of Proposal

This Modification Proposal is intended to maximise the volume of capacity released for auction within the reasonable bounds of what shippers believe Transco may be able to make available physically on the day, without making assumptions about the level of demand or distribution of supplies at entry points.

The proposal involves setting the MSEC quantities for each ASEP for each month equal to the highest of the monthly ASEP Maximum System Entry Capacities published by Transco under its invitation to auction letter dated 29 June 2001. For avoidance of doubt this would mean setting the MSEC quantities at St Fergus for all months, equal to 1492.7 GWhr/d and for Bacton to 1216.3 Gwhr/d etc. Hence giving the perception to the bidding shipper of adequate capacity levels. The auction process will remain the same in that the volumes would be auctioned over 4 rounds with any unsold in 5th round being conducted under the existing Network Code rules. The MISEC, DSEC and DISEC capacity auctions will also remain to cover unsold volumes and VIOLI capacity on the day.

By making more capacity available to shippers the chance of excessive prices directionally reduces and that may encourage shippers to be more willing to sell capacity either on the secondary market or to Transco for buy back whenever the need arises at a reasonable price. Transco has the option to buy back at different, "cheaper" terminals directing capacity to terminals of higher demand. It would be expected to have the added effect of reducing over recovery.

Purpose of Proposal

The proposal is initially for the imminent 6 month auctions of winter 2001/2, to allow time to discuss and debate the issues of Long term allocation process, the capacity regime, over recovery issues and the allocation process. It will also serve to allay industry fears of insufficient entry capacity.

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

Jaivanti Maisuria (Conoco)

Proposer

Amanda Goodwin (Conoco)

Signature

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