

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0477
"Fifth Round Monthly System Entry Capacity Allocation"
Version 1.0

Date: 12/07/2001

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 does not imply any change to the method of calculating Determined System Entry Capacity or Available Monthly Capacity with respect to each ASEP.

It is proposed that 90% of Determined System Entry Capacity is offered in equal sized tranches for rounds 1 to 4 of the MSEC auctions.

The residual quantity, offered in round 5, will comprise a minimum of 10% of Determined System Entry Capacity plus any quantities remaining unsold from the preceding auction rounds.

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 least 10% 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.

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

B 2.3

Addendum to Modification Proposal 0477

Proposed legal text

" SECTION B SYSTEM USE AND CAPACITY

Section 8.2.3.13. (b) amend to read

" (b) the “**Available Monthly Capacity**” in respect of an Aggregate System Entry Point is the maximum amount of System Entry Capacity which will be allocated following the submission of monthly capacity bids on the first four invitation dates; and the aggregate of the Available Monthly Capacity in relation to the first four invitation dates in respect of an Aggregate System Entry Point will be equal to or 90%] of the Determined System Entry Capacity at that Aggregate System Entry Point. "