

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0486

"Waiver of Notice Period for implementation of changes to Transportation Charges"

Version 1.0

Date: 14/08/2001

Proposed Implementation Date: 22/08/2001

Urgency: Urgent

Justification

Direction by Ofgem for Transco to Implement Modification Proposal 0481 has necessitated a re-calculation of Entry Capacity reserve prices in accordance with the existing Pricing Methodology. If revised reserve prices are to be implemented before Monthly System Entry Capacity (MSEC) auctions commence on 29 August 2001 it will be necessary to implement a waiver of the standard two month notice period required prior to implementing changes to transportation charges.

In addition Direction by Ofgem to implement Modification Proposal 0482 has reduced the available time between completion of the Monthly Interruptible System Entry Capacity (MISEC) auctions and the first day of use of capacity (1 October 2001). It will therefore be necessary to waive the required notice period if Transportation Charges are to be adjusted before 1 October 2001 to reflect the misalignment of auction income and allowed revenues.

Nature of Proposal

It is proposed that the Transitional document of the Network Code should be amended to specify that the provisions of B1.8.2 be waived for the period from 15 August 2001 through to 25 September 2001.

Section B1.8.2 requires that not less than two months notice be provided by Transco prior to implementation of any revised transportation charges. It also stipulates that a one month notice period be provided prior to any adjustments to the level of NTS Commodity charges.

Purpose of Proposal

Implementation of Modification Proposal 0481 has redefined the MSEC quantities which will be released in respect of each Aggregate System Entry Point for the period October through to March 2001 inclusive. MSEC quantities will now be set equal to the highest of the monthly system ASEP Maximum System Entry Capacities published by Transco under its invitation to auction letter dated 29 June 2001.

The implications of this are that an increased volume of entry capacity will be offered in the MSEC auction. In order to meet the required level of target revenue the established Pricing Methodology requires that reserve prices are reduced to take into account the larger revised

quantities offered in MSEC auction. The purpose of this Modification Proposal is to waive the requirement for a two month notice period prior to implementation of revised transportation charges to enable the appropriate reserve prices to be applied to the forthcoming auctions.

Auctions will not now be completed until 14 September 2001 and consequently there is less than one month available before auctioned capacity can be used on 1 October 2001. Any matching changes to Transportation Charges can only be achieved if the necessary notice period is waived to enable implementation on 1 October 2001.

In addition Transco has issued Pricing Consultation paper PC66 which considers the potential for rebalancing wider transportation charges to reflect imbalances caused by auction income that is below allowed revenue requirements. A waiver of the notice period requirement is a necessary step to facilitate this outcome should a Pricing Methodology change be implemented.

Consequence of not making this change

Transco would not be able to implement an adjustment to the NTS Entry Capacity reserve prices prior to the start of the forthcoming auction. The reserve prices would therefore remain as those published in the Gas Transportation Charges Statement from 1 October 2000.

The final round of MISEC auctions will be held on 14 September 2001. Consequently if the NTS commodity charge should require adjustment in accordance with the established methodology an expected implementation date would be around 1 November 2001. If a methodology that requires adjustment of wider transportation charges is agreed then expected implementation would be around 1 December 2001.

Area of Network Code Concerned

Transition Document Part II

Add new paragraph 8.1.1

" 8.1.1. B.1.8.

In respect of the calendar months October 2001 to March 2002 (inclusive) the requirements in Section B.1.8.2. as to the giving of notice of changes to Transportation Charges shall not apply and Transco shall instead give such notice as far in advance of the date on which the proposals contained therein are to be implemented as is reasonably practicable."

Proposer's Representative

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Proposer

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