

URGENT Modification Report
Deferment of Definite Gate Closure Times for Daily System Entry Capacity Bids
Modification Reference Number 0458

Version 2.0

This Modification Report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.9.3.

Circumstances Making this Modification Proposal Urgent:

In accordance with Rule 9.1.2 Ofgem has agreed that this Modification Proposal should be treated as Urgent because the implementation of definite gate closure times is due to take place from 1 April 2001. A decision on this Modification Proposal would therefore be required in advance of this date.

Procedures Followed:

Transco agreed with OFGEM (and has followed) the following procedures for this Proposal:

Issued to Ofgem for decision on urgency	14 March 2001
Proposal agreed as urgent	16 March 2001
Proposal issued for consultation	16 March 2001
Close out for Representations	21 March 2001
Final report to Ofgem	26 March 2001
Ofgem decision expected	29 March 2001

1. The Modification Proposal

It is proposed that the planned introduction of definite gate closure times for daily system entry capacity bids is deferred for three months with a revised implementation date of 1 July 2001. This follows problems that have recently been encountered within the development of the Oracle software which supports the RGTA capacity system which have made an introduction of the facility by 1 April 2001 unrealistic. The current date for the implementation of definite gate closure times was introduced to Network Code following approval of Modification 0432.

2. Transco's Opinion

Transco continues to support the introduction of definite gate closure times for within day capacity release as it believes that this will provide greater certainty for participants in the within day capacity auctions and it should reduce the risk of submission of erroneous bids.

However, Transco is also aware that the problems encountered within the latter stages of the systems development may jeopardise the successful introduction of this systems facility by 1 April 2001. In order to allow these problems to be resolved and for further system testing to be completed, Transco supports this Modification Proposal, which will defer the implementation date for Modification Proposal 0432 until 1 July 2001.

3. Extent to which the proposed modification would better facilitate the relevant objectives

It is believed that the introduction of definite gate closure times will enhance the efficient operation of the Daily System Entry Capacity regime. The revised implementation date in this Modification Proposal will allow definite gate closure times to be delivered with robust systems in place which have been thoroughly tested.

To remain with the original implementation date of 1 April 2001 could introduce an unacceptable level of risk in the operation of the systems that support the daily capacity auctions. This may negate the efficiency benefits gained by the introduction of definite gate closure times and, therefore, it is believed that the deferment of the implementation date proposed by this Modification would better facilitate the efficient operation of the regime.

4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:

It is not anticipated that there will be any implications for the operation of the System.

b) development and capital cost and operating cost implications:

The ongoing system development costs to introduce a definite gate closure time have been included as part of RGTA programme budget planning. No further development, capital cost or operating costs are anticipated as a result of this proposal.

c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:

Costs of system development are being met from allowed revenues for such purposes.

d) analysis of the consequences (if any) this proposal would have on price regulation:

No such consequences have been identified.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal

Transco believes that implementation of the Modification Proposal would reduce the level of contractual risk to Transco.

If the Modification Proposal is not approved Transco will be placed in the position of operating the daily capacity auctions outside of the Network Code, as the necessary changes to the RGTA capacity system have not been delivered in line with the intended timetable under Modification Proposal 0432. This could result in potential liabilities for Transco. Deferral of the implementation date for definite gate closure times, as proposed under this Modification Proposal, would allow the service to be delivered with full systems support.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

The RGTA system is currently being modified to enable the introduction of definite within day gate closure times. This Modification Proposal would allow more time to resolve the problems which have been encountered within the latter stages of the systems development and allow for further system testing to be completed.

7. The implications of implementing the Modification Proposal for Users

Users will experience a delay in the introduction of definite gate closure times for daily system entry capacity bids. This will extend the present arrangements for participants in the within-day capacity auctions and, therefore, the existing uncertainty regarding bid closure times.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

No such implications have been identified.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

No such consequences are envisaged.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages :

Deferment of the implementation date for definite gate closure times would allow the service to be delivered after the problems which have been encountered during systems development have been resolved and comprehensive system testing has been completed.

Disadvantages :

There would be a delay in providing Users a service which would have provided greater certainty for participants in the auctions for Daily System Entry Capacity.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representations have been received from Scottish and Southern Energy (SSE), British Gas Trading (BGT), Innogy, Yorkshire Energy (YE), and Northern Electric and Gas (NE).

All respondents support implementation of the Modification Proposal on the grounds that it will allow resolution of the problems that have arisen during the systems development for definite gate closure times and prevent a situation whereby Transco would be placed in breach of the Network Code.

However, concerns are raised by Innogy, BGT, NE and SSE over the timing of the Modification Proposal. SSE draws attention to the other changes to the Network Code due to come in to effect from 1 April 2001 and in light of this it argues that the proposal should have been raised at a much earlier stage. Innogy also considers that the issue should have been discussed in the appropriate Workstream.

SSE draws attention to the comments made by Transco in relation to systems development in the final report for Modification Proposal 0432 and notes Transco's initial confidence that the systems work would be fully completed by 1 April 2001. BGT and SSE request more information on the systems problems which have been encountered by Transco which, it is argued, would allow a more considered decision to be made on whether a delay of three months would be sufficient to allow the systems problems to be resolved. SSE considers that on the information provided it cannot judge whether the proposed delay would be either "reasonable or appropriate".

SSE questions whether Transco has given any consideration to how the risk for Shippers could be mitigated in light of the delayed implementation of Modification Proposal 0432. SSE notes that the delay could have an impact on the internal procedures of shippers and will lead to an extension in the operational uncertainty which the implementation of Modification Proposal 0432 would have reduced. BGT further argues that shippers should be provided with compensation for the delay under Transco's Standards of Service.

SSE urges for lessons to be learnt from this experience that should be incorporated into Transco's future project management procedures. Innogy stresses that more robust project management disciplines should be adopted when major systems development work is required. NE believes that an independent audit and assessment should be carried out in order to provide the community with assurances that this situation would not arise again.

SSE also comments that shippers should be provided with more information on the progress of the systems development for definite gate closure times as soon as possible and that it would be expected that if the problems are rectified sooner a further Modification Proposal would be raised to bring forward the implementation date.

Transco Response :

Transco regrets the delay in implementation of definite gate closure times and recognises that until this measure is introduced shippers will face prolonged uncertainty in the within day entry capacity auctions. However, support given for the proposal is welcomed as it will prevent Transco from being in a position of operating the daily capacity auctions outside the Network Code.

Transco is sympathetic to the concerns raised over the timing of the Modification Proposal. However, with the pace of development of the regime and the systems that support it, difficulties encountered with systems changes may regrettably occur from time to time. In this case, Transco only became aware of the systems problems in the latter stages of development and testing. Modification Proposal 0458 was raised as soon as it became apparent that a revised implementation date would be required for Modification Proposal 0432.

In response to the requests for further information on the systems problems, Transco can confirm that it was decided some months ago that, in order to minimise disruption to shippers and make best use of development / testing resources, the implementation of RGTA4 changes (including those to support Modification Proposal 0432) would be made co-incident and dependent upon the upgrade of its production software to a fully supported version.

Unfortunately, a small number of problems relating to the upgrade have been revealed, partially through the User Acceptance Testing of RGTA4. As the implementation of RGTA4 is dependent upon the software upgrade a delay in implementation has become necessary.

It is presently anticipated that the resolution of these problems in the Oracle upgrade and the RGTA4 changes will be completed in time for a revised implementation date of 1 July 2001. Should it become apparent that definite gate closure times can be introduced at an earlier stage Transco would consider raising a further Modification Proposal to facilitate this.

In response to the point concerning compensation, Transco would wish to remind shippers of the provisions of Section V8 of the Network Code, which gives mutual limitation in respect of liabilities for consequential loss. However, if Transco was specifically required to provide compensation for failure to deliver system changes this would inevitably force up the costs and development times associated with system changes in order to mitigate this risk. In respect of future project management, Transco is taking measures to tighten the procedures for monitoring of and reporting on progress of systems development work.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

Implementation is not required to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement furnished by Transco under Standard Condition 3(1) of the Licence

Implementation is not required having regard to any proposed change in the methodology established under Standard Condition 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence.

14. Programme of works required as a consequence of implementing the Modification Proposal

The programme of works which was identified and planned for Modification Proposal 0432 would be extended until 1 July 2001.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

If approved, it is anticipated that this Modification Proposal would be implemented on 1 April 2001.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of this proposal.

17. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

19. Text

SECTION B : SYSTEM USE AND CAPACITY

Amend paragraph 2.5.6 to read as follows :

"...Transco will initiate, between 13:00 hours on the Preceding Day and 02:00 hours on the Day a capacity allocation period (and may do so on one or more occasion in accordance with this paragraph 2.5)."

Amend paragraph 2.5.14(f) to read as follows :

""capacity allocation period" is a period of 15 minutes, in which Transco conducts capacity allocation at an Aggregate System Entry Point for a Day, and which subject to there being Available Daily Capacity and available daily capacity bids at such time :

(a) first commences at 13:00 hours on the Preceding Day to that for which the Daily System Entry Capacity is applied for;

(b) commences on any hour bar falling thereafter up to and including 02:00 hours on the Day for which the Daily System Entry Capacity is applied for (but not thereafter)."

NB: This is the same text as Modification Proposal 0432. Only the implementation date has changed.

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0458**, version **2.0** dated **27/03/2001**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **2.0**.

Signature:

Process Manager - Network Code

Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriate

provided that if the Authority does not so approve the Agreement then Clause 3 shall apply.

2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.