

URGENT Modification Report
Revision to NTS entry Capacity Auction timetable 2001
Modification Reference Number 0453
Version 1.0

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 In view of the short time period remaining until the commencement of the Monthly System Entry Capacity auctions scheduled for 30 January 2001. The proposer is of the opinion that there is insufficient time for Users to fully consider their positions between the start of the auction process and the release of capacity availability by Transco and the clarification of other Modification Proposals relating to the auction process.

Procedures Followed:

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

Issued to Ofgem for decision on urgency	23 January 2001
Proposal agreed as urgent	24 January 2001
Proposal issued for consultation	24 January 2001
Close out for Representations	25 January 2001
Final report to Ofgem	26 January 2001
Of gem decision expected	26 January 2001

1. The Modification Proposal

The NTS Entry Capacity Auctions for capacity made available from April 2001, should have the start date deferred from Tuesday 30 January 2001 to not earlier than Tuesday 13 February 2001. There will be a knock on delay to the MISEC auctions. Such a delay will allow the community to have sufficient time to fully consider the capacity availability Transco will release and have clarified outstanding Modification proposals. In addition, Transco should bring forward its industry presentation of summer maintenance to prior to the start of the auctions. Transco's explanations are particularly required given concern within the community over the functioning of the capacity regime.

2. Transco's Opinion

In light of a number of recent Modification Proposals publication of the Monthly System Entry Capacity quantities has not been possible until after Transco is aware of the conditions by which the forthcoming auctions will be operated. Transco believes that deferring the start date of the Monthly System Entry Capacity (MSEC) and Monthly Interruptible System Entry Capacity (MISEC) auction would be appropriate. This should allow Users additional time to more fully evaluate their positions and bidding strategies.

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

The Modification Proposal could improve the efficiency of the auction process and therefore enhance effective competition between Users.

4. The implications for Transco of implementing the Modification Proposal, including

a) implications for the operation of the System:

No implications are envisaged for the operation of the System.

b) development and capital cost and operating cost implications:

The changes to the capacity auction dates can be accommodated within the existing system and no additional costs are anticipated.

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:

Not applicable.

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

Transco does not anticipate any such consequences on price regulation.

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

There are no anticipated consequences on the level of contractual risk to Transco.

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

The changes to the dates of the monthly capacity auctions can be accommodated by the existing computer systems and no development work would be required.

7. The implications of implementing the Modification Proposal for Users

There would be a delay to the start of the Monthly System Entry Capacity auction, providing Users with additional time to evaluate their bidding strategies. However, there would be less time between completion of the auction and the date when the capacity will first be used.

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

It is not envisaged that there would be any implications on the above parties.

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

It is not envisaged that there would be any consequences on the legislative and regulatory and contractual relationships of Transco and each User and Non-Network Code party of implementing the Modification Proposal.

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

Advantages:

Allows further time for Users to consider and understand the outcome of recent Modification Proposals which have been raised in relation to the auction process.

Provides additional time for Users to assess their bidding strategies in light of Transco's notification of the quantities of entry capacity which will be available in the auction.

Disadvantages

Users would have less time following completion of the auction to assess and, if necessary, modify their capacity holding position prior to 1 April 2001.

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

Ten representations have been received. Seven in favour from:

Shell Gas Direct
Yorkshire Energy
TotalFinaElf
British Gas Trading
Enron
Scottish and Southern Energy
Dynergy

Three representations opposed the proposal. They were received from:

Aquila
Conoco
Cinergy

Most representations in favour of the proposal highlighted a need by Users for additional time to consider their position in the light of recent modification proposals.

In particular Users wanted further time to consider the quantities that will be on offer in the auctions.

A number of representations support the proposers opinion that Transco should bring forward its industry presentation of summer maintenance to prior to the start of the auctions.

Cinergy oppose the proposal, in part, because if implemented there will no longer be sufficient time between the last MISEC auction and 1 April to give the required notice period for adjusting the NTS commodity charge in the light of over/under recovery from the auctions.

Transco Response

Transco recognise the view of the majority of respondents and are willing to support the proposal. Transco notes that with regard to Modification Proposals 0444 and 0445 Transco had proposed a shortened consultation period. However, the December Modification Panel voted for a longer consultation period.

Transco's presentation of its summer maintenance programme is scheduled for 21 February. Whilst the presentation of its maintenance programme is not subject to the Network Code, Transco recognises the concerns of respondents regarding the links between auction quantities and the maintenance programme. Transco will endeavour to bring the meeting forward to take place before commencement of the auctions. At this stage a provisional booking has been made for 8 February in Transco's offices at 23 Buckingham Gate. Confirmation will be sent to shippers when arrangements are finalised.

Transco agree with Cinergy that a 28 day notification requirement will result in possible commodity charge adjustments being implemented after 1 April. Transco are considering raising a Modification Proposal to address this issue.

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 enable Transco 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 as a consequence of 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

There are no modifications required to the UK-Link Systems and therefore a programme of works would not be required as a result of implementing the Modification Proposal.

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

Transco recommends that this Modification Proposal is implemented by 29 January 2001.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this proposal is implemented.

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 Director General in accordance with this report.

19. Text

Transitional document, Part II paragraph 8

Amend text at paragraph 8.1 to read as follows:

B2.3 (3) replace "15 February 2001" with "1 March 2001"

B2.6 (4) replace "28 February 2001" with "16 March 2001"

Signed for and on behalf of Transco.

.Signature:

Tim Davis
Manager, Network Code

Date: 26/01/2001

Director General of Gas and Electricity Markets 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 **0453**, version 1.0 dated 26/01/2001) be made as a modification to the Network Code.

Signed for and on Behalf of the Director General of Gas Supply.

Signature:

(26/01/2001)

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **1.0**.

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 Director General of Gas Supply ("the Director") 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 Director 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 Director does not so approve the Agreement then Clause 3 shall apply.

2. If the Director does so approve this Agreement in accordance with the terms of the Order whether such a roval is actual or deemed b 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 Director does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Of gem any provision (or provisions) contained in this Agreement by virtue of which the RTP A, 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 Director 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 Director 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.