

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 371

SHORT TITLE: Shipper determination of Entry Capacity Profiles

DATE: 11 November 1999 **PROPOSED IMPLEMENTATION DATE:** 6th March 2000

URGENCY: Urgent

JUSTIFICATION OF URGENT STATUS:

This proposal has been the subject of discussion within Development Workgroup 371 with a view to enhancing the auction process for Monthly System Entry Capacity (MSEC). The Network Code presently requires Transco to begin the auction of MSEC for use in April - September 2000 by 15th February. It was originally intended that any changes be implemented with effect from this date. However, during the process of developing this proposal shippers have expressed the view that they would prefer to delay the start time for this next round of auctions and it is now anticipated that the auctions will start on 6th March*. Notwithstanding this potential deferral, the group is of the view that there is insufficient time for non urgent modification procedures and that urgent procedures are the most appropriate process for concluding proposal 0371.

* Modification Proposal 0378 proposes to defer the auction start until 6th March 2000.

NATURE OF PROPOSAL:

Monthly System Entry Capacity profiles are determined by a methodology that is based upon the analysis of historic flow. The application of this methodology has resulted in Monthly System Entry Capacity not being available at some locations in quantities which reflect shippers future plans for delivery.

Under this proposal Transco will first apportion the aggregate quantity of available Monthly System Entry Capacity by ASEP in accordance with the existing provisions of the Network Code. For each ASEP in each month Transco will then offer for auction 90% of this apportioned quantity over four auction rounds. There will then follow a fifth auction round where Transco will make available the residual 10% of the aggregate MSEC available plus any MSEC which remained unsold in each of the four auction rounds at each ASEP.

In this fifth round shippers will bid in the same fashion as other rounds but Transco will rank all bids in price order irrespective of the location. Transco will then select bids in price order until such time as all the available MSEC is sold or all valid bids have been satisfied. Where a bid is selected in this fifth round the successful bidder will be registered as holding MSEC at the location specified in the bid. Any bid which is for less than 100,000 kWh/day or where the bid price is less than the applicable reserve price for the specified ASEP will be rejected.

For each ASEP the maximum amount of capacity that can be allocated to the ASEP after all five rounds will be the lesser of :

(1) The ASEP maximum; or

(2) The greater of:

(i) 110% of the quantity apportioned to the ASEP by application of the methodology set out in the Network Code; or

(ii) The ASEP absolute minimum

The ASEP maximum will be calculated on the basis of optimising delivery from a given ASEP by reducing flows from other terminal in order to meet an aggregate demand level equal to the aggregate MSEC availability. The ASEP absolute minimum quantity is a minimum quantity which ensures that capacity can be purchased at ASEPs where no MSEC was made available under the Network Code apportionment methodology. In the absence of this minimum, the application of 110% of the apportioned quantity would remain at zero which would negate one of the potential benefits of this proposal.

The absolute minimum quantity at an ASEP for a given month will be determined as follows:

$(\text{ASEP deliverability at 1 in 20}) * x$

Where

$x = \text{Aggregate available MSEC for the month} / \text{Highest aggregate available MSEC for a month}$

As the aggregate MSEC availability will change from year to year, both the ASEP maximums and, where applicable, the absolute minimums will also vary. As is the case with MSEC availability these parameters will be published in the Transportation Statement.

Example of Modification Proposal 0371

Aggregate quantity of MSEC for Month in question = 250 mcm/day. Therefore 25 units will be available in the fifth round.

ASEPs, quantities and prices bid are for illustrative purpose only.

Application of Code apportionment by ASEP gives the following availability:

ASEP	Code Apportionment	Round 1-4 Aggregate (90%)	110% of Code apportionment	ASEP Max	max allocation after 5 rounds
A	100 mcm/day	4*22.5 = 90	110	110	110
B	80 mcm/day	4*18 = 72	88	86	86
C	70 mcm/day	4*15.75 = 63	77	80	77
D	0 mcm/day	0	0	10	4 (absolute min.)

Assume all available MSEC is sold in rounds 1-4, leaving only the previously identified 25 units of capacity to be auctioned in the fifth round.

Fifth Round:

Shippers place bids and all eligible bids are ranked in price order and allocated subject to maximum allocation. In this example each bid is subject to a minimum bid quantity of 1mcm/day

Bid Q@p	ASEP	Accepted/ Rejected	Rejection Reason	Total @ A	Total @ B	Total @ C	Total @ D	Total allocated
8@9	B	Acc	N/A	90	80	63	0	8
6@8	B	Acc	N/A	90	86 i.e. max	63	0	14
8@7	B	Rej	ASEP@max	90	86 i.e. max	63	0	14
6@6	A	Acc	N/A	96	86 i.e. max	63	0	20
4@5	D	Acc	N/A	96	86 i.e. max	63	4	24
4@4	C	1 Acc, 3 Rej	Total all'd	96	86 i.e. max	64	4	25

Shippers will therefore have redefined the availability of capacity from 100, 80, 70 and zero at A, B, C and D respectively to 96, 86, 64 and 4.

Alternative approach

An alternative approach for the use of the fifth round is to offer 100% of the available MSEC in rounds 1-4 (25% in each round) and only hold a fifth round if there is any unsold MSEC from rounds 1-4. When applicable, the fifth round would operate as previously described. Shippers are invited to comment on this alternative approach in their representations.

PURPOSE OF PROPOSAL:

The purpose of this proposal is to introduce greater flexibility into the determination of entry capacity profiles based on historical flow information. That method will be replaced by a new methodology that will afford Users an opportunity to influence entry capacity profiles to better match their commercial requirements.

Additionally it is envisaged that primary auctions of monthly capacity will become a mechanism through which Monthly System Entry Capacity can be made available at all Aggregate System Entry Points.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

Determination of Monthly System Entry Capacity profiles will continue to be based on a historic view of shipper deliveries, subject to correction for, for example, system enhancement. This may mean that, from time to time, the availability of capacity by month by terminal is not aligned with shippers future delivery plans. MSEC, which could be made available at an alternative ASEP, may remain unsold at the ASEP where it is available through the auction.

AREA OF NETWORK CODE CONCERNED:

Section B

IDENTITY OF PROPOSER'S REPRESENTATIVE:

Russell Cooper

PROPOSER : Tim Davis.

SIGNATURE:

POSITION: Manager, Network Code.

COMPANY: Transco

MODIFICATION PANEL SECRETARY'S USE ONLY

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