

**URGENT MODIFICATION PROPOSAL No. 0366**

**TITLE:** Beryl

**DATE:** 15th October 1999

**PROP. IMPLEMENTATION DATE:** As soon as possible

**URGENCY:** Urgent Procedures Requested

**JUSTIFICATION OF URGENT STATUS**

This Modification proposes a change to the overrun regime implemented under Modification 0314 (Development of Entry Capacity Entitlement Based on an SND Profile). In order that Shippers will no longer be subject to punitive overrun charges on unconstrained days Urgent status is requested for this Modification.

**CONSEQUENCE OF NOT MAKING THIS CHANGE**

If this Modification is not implemented, Shippers will face punitive overrun charges which far outweigh the cost to the system of an Entry Capacity overrun on days when there are no constraints on the system.

**AREA OF NETWORK CODE CONCERNED**

Section B, paragraph 2.10

**NATURE OF PROPOSAL**

This proposal seeks to create a more equitable regime for overrun charges and assist Transco in achieving its relevant objectives.

On days when there is no constraint at an ASEP, this Modification proposes that where a User delivers gas to the system in excess of the User's Available System Entry Capacity at that ASEP, the overrun charge shall be 8 times the Applicable Daily Rate for Monthly System Entry Capacity at that ASEP for that day.

Where Transco need to buy back or curtail firm capacity below SND levels for a Gas day, the overrun charges shall be the greater of:

- (a) 8 times the Applicable Daily Rate for Monthly System Entry Capacity at that ASEP for that gas day; and
- (b) the lesser of:
  - i. 1.5 times SAP for that gas day; and
  - ii. 17.7 p/therm.

Note: (b) ii is derived from the existing regime as implemented by Modification 0357 (Amendment to System Overrun Charge in Respect of Entry Capacity Entitlements based on a Seasonal Normal Demand Profile).

This Modification is supported in principle by Yorkshire Energy, Scottish and Southern Energy, Elf Gas & Power, Dynegy, Shell Gas Direct, Alliance Gas Limited, Total Gas Marketing and Total Oil Marine.

## **PURPOSE OF PROPOSAL**

The Network Code originally had an overrun regime of 182 times the applicable daily capacity rate at the terminal (plus ratcheted annual booking). Between July and September 1998 the industry recognised that the overrun rate was penal. As a result of these discussions Modification 0244a was implemented at the end of September 1998 resulting in overruns being calculated as 8 times the applicable daily rate at the relevant terminal.

The industry looked forward to the development of capacity services under RGTA, with a possible screen-based capacity trading market and the introduction of within-day capacity.

However, on the 1st October overrun charges were increased (via Modification 0314 and 0350, and superseded by Modification 0357) to over 17.7 ppth at every terminal, representing an increase of between 17 and 500 times the daily capacity floor price without the corresponding implementation of these services.

It is felt that the current regime is inappropriate because:

- on unconstrained days punitive overruns may strand gas offshore
- D-1 capacity does not have a direct relationship with capacity available on the day
- there is also potential for overrun manipulation
- the intention of RGTA was to divorce energy from capacity, and for constraints to be resolved by a capacity solution
- on unconstrained days the linkage between SAP and capacity cannot be justified.

It is therefore proposed that, until the introduction of within-day capacity, Shippers should not be subject to a draconian overrun regime on days when there is no constraint and Shippers have no alternative method by which to access within-day capacity.

This would be achieved by only introducing a punitive overrun charge on days when an ASEP is constrained (i.e. firm capacity has been curtailed, or Transco have bought back capacity below SND levels). On days when there is no constraint then 8 times the Applicable Daily Rate provides sufficient incentive for Shippers to ensure gas is not flowed onto the system without first attempting to acquire capacity rights.

On days when there is a constraint at the ASEP in question, the overrun charge will be set

to either 8 times the daily capacity floor price, 1.5 times SAP or 17.7 p/therm.

**Identity of Proposer's Representative:**      **Nicola Lea**

**Proposer**      **Andy Blanchard**

**Signature**

**Position**      **Network Code Manager**

**Company**      **Eastern Power & Energy Trading Limited**

**MODIFICATION PANEL SECRETARY'S USE ONLY**

**Reference Number**      **0366**

**Date Received**      **15/10/99**

**Candidate Workstream**      **Capacity Workstream**