



Modification Proposal 242

Special Storage Deliverability Services

3 August 1998

Present Position

A number of storage users believe that BG Storage's current range of services is inhibiting competition in the provision of peak gas, and that the range of services for storage deliverability from Rough and Hornsea should be extended. Enron¹ therefore proposed modification 242 on 14 July 1998. On 24 July, Ofgas decided that the proposal should be considered by the industry on an urgent basis. The deadline for representations is 21 August 1998.

Proposal

Although the Network Code allows BG Storage to offer new services, it does not compel them to do so. Enron therefore proposes that, in addition to the existing annual firm and space only services, BG Storage should be *required* to offer:-

- all booked but unutilised deliverability - including that associated with the space only service - on an interruptible basis, both day ahead and within day, by auction (ie, "use-it-or-lose-it"). This 'tertiary' service would be interrupted before either of the existing annual services; and
- unsold deliverability on a daily firm basis.

Enron also proposes a reduction of storage deliverability overrun charges. Enron proposes to replace the present arrangement (whereby users are charged 150% of system marginal prices on the flexibility mechanism in winter, and 130% in summer) with a multiplier of eight times the daily storage deliverability rate.

In the event that interruptions are necessary, Enron proposes that interruption should occur in the following order:-

- first, shippers who have overnominated without booking capacity;
- second, users of the tertiary service described above;
- third, annual space only customers; and
- finally, shippers with firm deliverability (whether annual or daily) capacity.

Enron proposes that these changes be implemented with effect from 1 October 1998.

¹ Although this letter refers solely to Enron as the proposer, it should be noted that Enron submitted this modification proposal on behalf of AGAS, Alliance Gas, Dynegy and Shell Direct as well as itself.

Possible Impact on Customers

There is no direct impact on customers. However, Enron believes that, if these changes are not made, Rough deliverability in particular will continue to be withheld from the market at peak times. As a result, storage users will be exposed to higher balancing costs than would otherwise be the case. Enron believes that this modification, by increasing access to peak gas and reducing balancing costs for storage users, will enhance competition in shipping and supply, and result in lower gas prices for customers.

Further Information

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