

MODIFICATION PROPOSAL No 0242

Special Storage Deliverability Services

Date: 1 July 1998

Proposed Implementation Date: 1 October 1998

Urgency: This proposal forms part of a package designed to address inefficiencies in the Gas Balancing Regime prior to October 1998, as part of Ofgas 1998 Review. The limited time available for implementation, coupled with the ongoing unjustifiable level of risk faced by shippers dictate that this proposal be treated as Urgent.

Justification:

In spite of limited changes that have been introduced in 1998, the current restricted range of storage services continues to inhibit competition in the provision of peak gas.

- The fixed price tender mechanism sold only 44% of available deliverability into the market for 1997/98 and only 5% on a firm basis for 1998/99.
- The ability of firm storage capacity holders (and BG Storage themselves in respect of uncommitted capacity) to keep unused deliverability off the market supported high prices in winter 1997/98.

Although the Network Code allows BG Storage to offer new services, it does not compel them to do so. There is no guarantee that Special Services designed by BG Storage will reflect, in terms of price or service, what would be offered in a competitive market.

Consequence of not making the change:

Rough deliverability will continue to be withheld from the market when it is most required. At peak times the risk of extreme pricing on the flexibility mechanism will continue.

Area of Network Code concerned: Sections B2.5 (flexibility overrun charges) & B2.6 (overrun charges) ; R6 (Withdrawals) especially R6.4 (Withdrawals under Interruptible Storage Capacity), R7.1 (Storage Overrun Charges)

Nature of Proposal:

In line with the proposals on NTS Entry services, the range of services on storage deliverability from Rough and Hornsea should be extended.

In addition to the existing booking service, BG Storage should offer the following:

- Booked and unutilised deliverability should be made available on an interruptible basis, both day ahead and within day, by auction (use-it-or-lose-it). This tertiary service would have lower priority than the firm and space only services.
- Unsold deliverability should be available as a daily firm service.
- Deliverability overrun charges should be reduced to a reasonable level, with a multiplier of 8 applied to the daily rate.

In the event of a constraint, shippers who had overnominated without booking capacity would be interrupted first, followed by tertiary service, then space only.

Purpose of Proposal / Achievement of Relevant Objectives:

The proposed modification will facilitate achievement of the relevant objectives by:

- Promoting the efficient and economic operation of the pipeline system by enhancing system utilisation;
- Encouraging efficient discharge of Transco's obligations under its licence, including efficient balancing of the pipeline system by removing barriers to gas entry and by reducing the costs of balancing and consequently the balancing neutrality charges borne by shippers which arise from extreme prices in the flexibility mechanism.
- Providing greater access to peak gas will also enhance competition in shipping and supply. Therefore, consumers will benefit from lower gas prices.

Proposer : Doug Wood

On behalf of : AGAS, Alliance Gas, Dynegy, Enron, Shell Gas Direct

SignedDoug Wood..... **Date:** 1 July 1998

Reference Number 0242

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