

98/08/14/05

**Urgent Modification Proposals 0244 and 244a****Review of Entry Overrun Charges****14th August 1998****Present Position**

A shipper bringing gas onto the NTS needs to ensure that the requisite level of capacity has been booked with Transco. Where the shipper flows gas in excess of this agreed level, it becomes liable to 'entry overrun charges', ie. the applicable annual charge for the NTS capacity used, multiplied by the relevant monthly factor, varying from 73 times the daily rate for the summer months to 183 times the daily rate in the winter; the monthly entry capacity ratchet is intended to eliminate consecutive monthly overruns. At peak times, there is a disincentive to bringing beach and stored gas to the market, thus contributing to the underutilisation of the NTS. The resulting price hikes within the flexibility mechanism - a transaction between a shipper and Transco used for system balancing purposes - can lead to price volatility, the managing of which results in costs which are ultimately passed on to customers.

Proposals

Enron proposed Mod 244 and Transco 244a, as urgent modifications for the reduction of entry overrun charges. They are aimed at the introduction of more gas into the system, thus reducing system balancing costs and promoting a more efficient use of the NTS.

Modification 244 proposes:

- a daily overrun system to replace monthly capacity ratchetting.
- that where the physical service exists, gas delivered in excess of a shipper's agreed capacity will flow as part of Transco's interruptible service and not be subject to overrun charges
- the entry rate for the interruptible service will be eight times that of the daily firm entry rate at that point.

Modification 244a proposes:

- a daily overrun system to replace monthly capacity ratchetting.
- quantities delivered in excess of the shipper's agreed capacity shall attract an overrun charge in accordance with the Network Code
- the multiplier used to calculate overrun charge shall be 90 times the daily rate at that point.

The overrun charges in both proposed modifications are lower than those which exist at present; the objective is to encourage the entry of gas onto the NTS, especially at peak times.

Possible Impact on Customers

This will enhance network balancing, system utilisation and the efficient & economic use of the pipeline. Along with other developments, it will also allow a reduction in the cost of system balancing, both at industry and shipper level. Additionally, the price volatility within the flexibility mechanism and the associated costs should be reduced.

Further Information

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