

MODIFICATION PROPOSAL

REMOVE BARRIERS TO ON-THE-DAY-TRADING

DATE: 1st July 1998

PROPOSED IMPLEMENTATION DATE: Immediately

URGENCY: The need to improve the energy balancing regime prior to 1st October 1998 dictates that this modification be treated as Urgent.

JUSTIFICATION:

Restrictions on within-day trading at the NBP, as imposed under modification 169, have continued to reduce liquidity in the market, hindering the development of shipper balancing tools.

Shippers are currently prevented from reflecting information on physical deliveries to Transco, who face the risk of taking inappropriate balancing action on the basis of inaccurate information.

Transco have argued that they are unwilling to relax completely controls on shippers, which discourage over-and-under-delivery into the system.

Scheduling charges should be retained to encourage shippers to make accurate input and output nominations. In any case Transco should continue to balance the system using available information on linepack pressures, their own aggregate demand forecasts, offtake prolific notices and DFNs, rather than shipper nominations.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

High balancing charges, continuation of inaccurate nominations, unnecessary scheduling charges, likelihood of inappropriate or unnecessary complication for the on-the-day commodity market.

AREA OF NETWORK CODE CONCERNED:

Section C (Nominations) paragraph 5.4.

NATURE OF PROPOSAL:

Restrictions on matching renominations accompanying acquiring and disposing trades at the NBP are to be removed.

PURPOSE OF PROPOSAL:

To increase the tools available for shipper balancing, to reduce the costs of balancing, to facilitate within day trading (at beach and NBP), to improve the accuracy of information sent to Transco, to avoid unnecessary flexibility action.

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 on shippers accounts as distinct from the flexibility mechanism. By improving nomination accuracy, Transco is less likely to incur costs by taking unnecessary balancing action. The cost of gas traded within day will be reduced by an amount equivalent to the scheduling charges that would have been incurred.
- * Removing obstructions to the trading of within-day gas at the National Balancing Point (the preferred location of many shippers), which will better secure effective competition between shippers.

PROPOSER: Doug Wood

ON BEHALF OF: AGAS, Dynegy, Enron, Shell Gas Direct

SIGNED:

DATE: 1st July 1998

Reference Number: 0245