

Modification Report
URGENT Modification Reference Number 0303
Increased Availability of NTS Daily Entry Secondary Capacity

This Modification Report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. Circumstances Making this Modification Proposal Urgent:

In accordance with Rule 9.1.2 Ofgas has agreed that this Modification Proposal should be treated as Urgent. The proposal provides an enhancement to the new Entry Capacity Services introduced under Modification 273 which came into effect on 13 November 1998.

2. Procedures Followed:

Transco agreed with Ofgas (and has followed) the following procedures for this Proposal;

30/11/98 :	Modification Proposal Received
7/12/98 :	Ofgas agreed Proposal as Urgent
17/12/98 :	Close Out for Shipper Representations
21/12/98 :	Final Modification Report to Ofgas

3. The Modification Proposal:

The Proposal seeks to clarify the existing rules introduced under Modification 0273 on the allocation of capacity and introduces new rules to ensure that when scaling back of Secondary System Entry Capacity is required, this is only carried out to the extent required to meet primary capacity holders needs.

In order to clarify the allocation rules of Modification 0273, Modification 0303, proposes that the initial allocation should be carried out such that initially bids are ranked by price. If all bids cannot be fully met at a price, then all bids should be partially accepted by prorating (taking into consideration any minimum bid statements).

If scaling back is required, only that necessary to meet the increased demands of the primary holders (or errors in Transco's estimation) should be carried out, not the current position whereby all bids at identical bid prices are scaled to zero, even if the reduction required is only 1 kWh.

4. **Transco's opinion:**

Transco are in support of the implementation of this proposal which will maximise the utilisation of capacity in the pipeline system.

5. **Extent to which the proposed modification would better facilitate the relevant objectives:**

Implementation of this proposal will facilitate a more efficient and economic utilisation of the pipeline system and will help to maximise the availability of entry capacity, therefore ensuring that, on peak days, the maximum amount of gas can be delivered into the system from Shippers' preferred locations.

This will therefore reduce the need for flexibility bids and allow a more efficient match between capacity availability and gas availability, furthering the objective of operating an economic and efficient system.

6. **The implications for Transco of implementing the Modification Proposal, including:**

a) **implications for the operation of the System:**

Implementation of this Modification Proposal may result in a better alignment between capacity availability and the daily requirements of capacity from Shippers.

b) **development and capital cost and operating cost implications:**

Implementation of this proposal would require some development work on the original database used to implement Modification 0273. This work is detailed in paragraph 8 below.

c) **extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:**

The cost of administration is bundled into Shipper services on the basis that the services will be available to all Shippers. If it is found that the services are used by only a small number of Shippers then it may be appropriate to better target the costs.

d) **analysis of the consequences (if any) this proposal would have on price regulation:**

Transco is not aware of any consequences this proposal would have on price regulation.

7. **The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal:**

Transco is not aware of any consequences of implementing this proposal on the level of contractual risk.

8. **The development implications and other implications for computer systems of Transco and related computer systems of Users:**

In order to achieve implementation of Modification 0303, Transco would need to carry out some development work on the original functions of the database used to implement Modification 0273. The following modifications would be required :

A rewrite of the capacity allocation coding and a revision of the database scheme, in order to meet the new allocation rules.

A rewrite of the scaling back coding, to meet the revised scaling back rules.

Thorough testing of the new coding before implementation, both at input and output levels, and by both developers and program users, in order to meet audit requirements.

Revisions to existing tables and reports, in order that invoicing and financial reports derived from the database are correct.

9. **The implications of implementing the Modification Proposal for Users:**

Shippers capacity holding's will in aggregate be more closely aligned to physical capacity, thus avoiding the risk of under utilisation.

10. **The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Storage Operators suppliers, producers and, any Non-Network Code Party:**

The Modification Proposal may enable a better match of capacity availability with gas supplies. If the capacity availability allows more economic gas to reach the market, the benefits may be reflected in lower gas prices to consumers

11. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal:**

Transco is not aware of any consequences.

12. **Analysis of any advantages or disadvantages of the implementation of the Modification Proposal:**

Advantages

Provides a greater match between capacity entitlements and capacity availability.

Disadvantages

Transco is not aware of any disadvantages.

13. **Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report):**

Representations were received from Accord, Mobil, National Power, United Gas Services Limited, British Gas Trading, Agip UK Limited and Shell Gas Direct.

All were in favour of implementation of the Proposal.

Shell Gas Direct highlighted that full consideration of the operational implications may not have been considered under the early implementation of Modification 0273 and therefore it was important that the amendments under Proposal 0303 were implemented as soon as practicable. They raised concerns that under the current processes, Transco is scaling back the capacity entitlement of Shippers when it is operationally unnecessary.

British Gas Trading also supported the proposal which would allow for scaling back of capacity to take place to the exact quantity of capacity required and believe that the current rules for the initial allocation of capacity are not being applied in accordance with their interpretation of the drafting.

AGIP UK Limited were also in support of the proposal to amend the scaling back methodology but were mindful of the fact that the basis upon which pro rating of identically priced bids is carried out would need to be equitable.

Transco Response:

Transco support the representations made and believe that this proposal will result in an improvement to the existing service under Modification 0273.

14. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation:

Transco does not believe this proposal is necessary to facilitate compliance with either safety or other legislation.

15. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence:

Transco does not believe that implementation is required as a result of a methodology change.

16. Programme of works required as a consequence of implementing the Modification Proposal:

There are no modifications required to the UK-Link Systems and therefore a programme of works will not be required as a result of implementing this Modification Proposal.

17. Proposed implementation timetable (inc timetable for any necessary information systems changes):

The system changes as detailed in paragraph 8, could be completed by 4 January 1999 with Modification 295 implementation on 1 February 1999 (subject to Ofgas approval of Modification 295)

18. Recommendation concerning implementation of the Modification Proposal:

Transco recommends that this proposal is implemented.

19. Restrictive Trade Practices Act:

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

20. Transco's Proposal:

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Director General in accordance with this report.

21. Text:

Section B2 : SYSTEM ENTRY CAPACITY

Paragraph 2.2.15(ii)

Delete the words:

"all such identically priced applications shall be rejected by Transco"

and replace with:

"the amount of Daily System Entry Capacity which shall be allocated to each such identically priced applicant by Transco shall be determined, on a pro-rata basis, in accordance with the following formula:-

$$\frac{ADSEC}{AAA} \times AA$$

where ADSEC is the Daily System Entry Capacity which is available for allocation;

AAA is the aggregate amount of all identically priced applications;

AA is the maximum amount applied for by such applicant;

Except that any application shall be excluded from such pro-rata process if the resulting amount to be allocated to such applicant is less than its minimum requirement referred to in paragraph 2.2.12(a)."

Paragraph 2.2.22(ii)

Delete the words:

"all such identically priced applications shall be rejected by Transco"

and replace with:

"the amount of Secondary System Entry Capacity which shall be allocated to each such identically priced applicant by Transco shall be determined, on a pro-rata basis, in accordance with the following formula:

$$\frac{\text{ASSEC}}{\text{AAA}} \times \text{AA}$$

where ASSEC is the Secondary System Entry Capacity which is available for allocation;

AAA is the aggregate amount of all identically priced applications;

AA is the maximum amount applied for by such applicants;

Except that any application shall be excluded from such pro-rata process if the resulting amount to be allocated to such applicant is less than its minimum requirement referred to in paragraph 2.2.19(a).

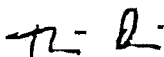
Paragraph 2.7.2

Delete and replace with:

"2.7.2 Transco will cancel all or part of a User's Registered Secondary System Entry Capacity ("scaling back") in reverse order of offer price (cheapest first) to the point where Registered Secondary System Entry Capacity is less than or equal to the available Secondary System Entry Capacity (calculated in accordance with paragraph 2.2.22(i)) by scaling back bids in whole or part (on a pro-rata basis where there is more than one bid) and where allocations have been made pursuant to identically priced bids by scaling back all such allocations on a pro-rata basis."

Signed for and on behalf of Transco.

Signature:



Tim Davis
Manager, Network Code


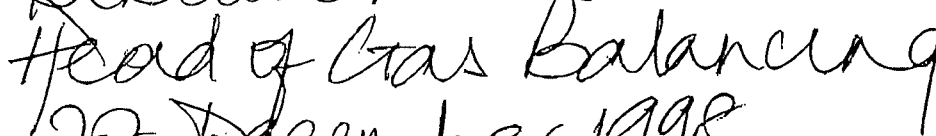
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Director General of Gas Supply Response:

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference 0303, version 1 dated 18/12/1998 be made as a modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply.

Signature:



22 December 1998

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
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Director of Transportation Regulation

Date:

The Network Code is hereby modified, with effect from 04/01/99, in accordance with the proposal as set out in this Modification Report, version 1.

Signature: 

 **Process Manager - Network Code
Transco**

Date: 13 / 1 / 99

ANNEX

Restrictive Trade Practices Act - Suspense Clause

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

1. Suspense Clause:

- 1.1 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:
- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

- 1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.