

Draft Modification Report
Modification Reference Number 0306

This draft Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal:

The Modification Proposal contemplates that;

‘To ensure that as many participants as possible are active in the market and that liquidity is maintained at all periods the following changes are required:

- a) That the timeslot for entering bids must be amended to run from 06:00 to 13:00 hrs on D-1 - thereby giving Shippers maximum flexibility in handling the workload.
- b) That Transco issue ANS messages when they advise initial allocations and in the event of any subsequent scaling back of allocated Secondary Capacity - thereby ensuring all capacity allocations are readily identified and actioned.
- c) That Transco allow bids for future gas days to be input during the daily bid period - again to increase activity in the market.’

2. Transco's opinion:

Transco is in support of this Modification Proposal which will further facilitate competition and increase the economic and efficient use of the system by developing the additional Entry Capacity Services recently introduced under Modification 0273.

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

The proposed Modification will allow Users to post bids earlier than the current Network Code and will also provide Users with earlier notification that bids are being accepted or scaled back. Both of these elements of the Proposal will better facilitate the objective of furthering the economic and efficient operation of the system.

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

a) implications for the operation of the System:

Transco is not aware of any implications for the operation of the System.

b) development and capital cost and operating cost implications:

There will be additional development costs incurred to upgrade the Lotus Notes (SIS) system to handle transfers of capacity between Shippers.

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. This service will also be available to all Shippers. Therefore Transco does not currently propose to recover these costs via a specific charge.

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

Transco is not aware of any consequences on price regulation.

5. 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:

This Modification will have no consequence on the level of contractual risk to Transco under the Network Code.

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

Transco believes that the Daily System Entry Capacity service should be systematised as much as possible so as to ensure its robust and efficient operation for Users and Transco. Development work will be required on the Lotus Notes system in order to allow for this Proposal to be implemented.

Transco is currently developing the Lotus Notes system used for the Daily Entry Capacity services to facilitate Modification 0295. A development period of [4] weeks following the testing and implementation of Modification 0295 will be needed for the necessary development work and testing to be carried out.

The actual implementation date that Transco could support will be subject to a number of factors including the likely date of approval for the Modification and the availability of the necessary development resources.

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

Users will be able to operate in a more efficient manner by posting Daily Capacity bids on to the Lotus Notes System both earlier on D-1 and during bid windows on earlier days.

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

This Modification Proposal removes a restriction from the new Entry Capacity Services and therefore may be expected to facilitate a better match of capacity to gas supplies. The benefits may be reflected in lower gas prices to consumers as it may allow more economic gas to reach the market.

9. **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 are not aware of any such consequences.

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

Advantages

Longer and earlier bid windows will allow for better planning of resources by Users. Earlier notification of the occurrence of bid acceptance or scaling back (via ANS) will provide Users with more time to assess and take any actions that are required.

Disadvantages

Further development of this ad-hoc system creates higher risks associated with the additional complexity.

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

To be included once Representations have been received on this Draft Modification Report.

Transco Response:

To be included once Representations have been received on this Draft Modification Report.

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

Implementation is not required to facilitate compliance with safety or other legislation.

13. **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:**

Implementation is not required as a consequence of 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:

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

There are no amendments required to UK Link Systems and therefore a Programme of works is not required.

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

[1st March 1999] subject to comments as detailed in section 6 of this report.

16. **Recommendation concerning the implementation of the Modification Proposal:**

Transco supports implementation of this Modification Proposal.

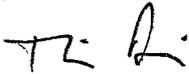
17. **Text :**

To be provided, with the Final Modification Report, subject to Shipper Representations.

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report.

Signed for and on behalf of Transco.

Signature:



Tim Davis
Manager, Network Code

Date: 11/1/99