

Final Modification Report
Modification Reference Number 0306
Amendments to Operation of Daily Capacity Auctions

This 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 hours 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.”

It is proposed that bids should be allowed up to seven days in advance of the gas flow day and would be permitted between 0600 and 1300 hours, up to 1300 hours on D-1.

Bids will be submitted individually and a User will be able to withdraw any bids up to 13:00 hours on D-1.

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 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 are expected to 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.

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. 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 to ensure a robust and efficient operation for Users and Transco.

A period of four weeks will be needed for the necessary development work and testing to be carried out on the Lotus Notes system if this Proposal is to be implemented. During this period external procedures will also be amended and re-issued to Users and internal procedures will be enhanced.

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

The lengthening of the bid window will provide Users with greater flexibility and opportunity to post Daily Capacity bids.

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 is 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 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 additional complexity.

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

Representations were received on the draft Modification Report from Scottish and Southern Energy, Southern Electric Gas, National Power, United Gas Services, BP Gas Marketing and British Gas Trading. All were in favour of the proposal.

Southern Electric Gas commented that the proposal would increase the functionality of the service which would therefore lead to greater liquidity in the market. They also recommended that a batch process to allow bids for a number of days to be entered simultaneously would increase the benefit of the service even further.

Scottish and Southern Energy also supported the proposals to issue ANS messages and to alter the timeslots for bidding. Clarification was requested that this change to

the bidding timeslots would apply to both types of Entry Capacity available. Clarification was also requested on the possible implementation date for this proposal and the further development work which is required on SIS in the light of the implementation of Modification 0295.

Transco Response:

Transco can confirm that the changes proposed to the bidding window would apply to Secondary System Entry Capacity as well as Daily System Entry Capacity.

Assuming the Modification is agreed, an implementation date of 1 April 1999 is proposed by Transco, which will allow for the necessary functionality in the Lotus Notes System to be developed. New tables and views are required for Users as well as new data windows to allow the Commercial Operations CAS database to extract information from Lotus Notes. This functionality was not required for Modification 0295.

Transco supports in principle a batch process for entering bids, but the introduction of this system will depend on the development work required, which Transco is currently assessing.

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):

Transco proposes that the Modification is implemented from 1 April 1999 to allow four weeks for the necessary development work on the Lotus Notes system to be carried out.

16. Recommendation concerning the implementation of the Modification Proposal:

Transco supports implementation of this Modification Proposal.

17. 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.

18. 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.

19. Text:

Paragraphs 2.2.12 and 2.2.19

After "5 applications" insert:

"in respect of each proposed date of registration (up to a maximum number of 7 proposed dates of registration)."

Paragraphs 2.2.12(a)(v) and 2.2.19(a)(v)

To read:

"(v) the proposed date or dates of registration;"

Paragraphs 2.2.12(b) and 2.2.19(b)

Delete and replace with:

"(b) shall be submitted not earlier than 7 Days nor later than the Day before the proposed date of registration and shall be submitted between 06:00 hours and 13:00 hours on the Day of submission."

Paragraph 2.2.14

Delete and replace with:

"2.2.14 A User shall not be permitted to withdraw an application for Daily System Entry Capacity after 13.00 hours on the Day before the proposed date of registration of such application."

New Paragraphs 2.2.15(vi) and 2.2.22(vi)

To read:

"(vi) Following such allocations Transco will send to all applicants an Active Notification Communication stating that allocations have been made."

Paragraph 2.2.21

Delete and replace with:

"2.2.21 A User shall not be permitted to withdraw an application for Secondary System Entry Capacity after 13.00 hours on the Day before the proposed date of registration of such application."

Paragraph 2.7.3

After "by Transco" insert:

"(by an Active Notification Communication)".

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date:

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 **0306** version **1** dated **23/02/1999**) be made as a modification to the Network Code.

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

Signature:

Director of Transportation Regulation

Date:

The Network Code is hereby modified, with effect from _____, in accordance with the proposal as set out in this Modification Report, version **1**.

Signature:

Process Manager - Network Code
Transco

Date:

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.

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