

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No.

SHORT TITLE: Additional Measures to Cater for Terminal Constraints

DATE: 11th December 1998 **PROPOSED IMPLEMENTATION DATE:** 19th December 1998

URGENCY: URGENT

JUSTIFICATION OF URGENT STATUS:

At St. Fergus there has been a specific capacity constraint which has warranted a terminal specific solution in the form of Modifications 265a and 271. Modifications 265a and 271 have reduced the costs associated with alleviating the constraints.

There is no continuing reason for St. Fergus to be treated as a special case. However, at all terminals there continues to be the potential for nominations (DFNs) to be higher than physical NTS Capacity causing the need for flexibility sells. Physically available capacity will vary throughout the year and on each day is affected both by the level and pattern of demand and the pattern of supply.

Constraints due to nominations (DFNs) being higher than physical capacity could occur at any terminal but will not normally happen every day. Modification 271 and Modification Proposal 298 (Extension of 271 to Barrow) defined a Terminal as constrained every day. A simple extension of 271 would not be appropriate because defining a terminal as constrained on all days would be unnecessarily restrictive. This Proposal is different to the present 271 rules (and 298 Proposal) as it introduces the concept of a day ahead trigger to define whether or not, for the purposes of 271, 265a and 277, a Terminal is constrained.

Transco is not able to disaggregate the Daily Flow Notice to discover which Shippers are creating the need to sell gas day ahead, and therefore it is not possible to try and ascertain whether some Shippers are choosing to nominate high in the knowledge that this may cause flexibility sells. Therefore there continues to be the potential for significant flexibility mechanism costs at particular terminals which it may not be appropriate for the community as a whole to bear.

This Proposal is required as Urgent due to the need to remove the potential for industry costs reaching excessive levels when the time limited provisions first implemented by Modification 271 expire, 18th December.

NATURE OF PROPOSAL:

This Proposal would apply the principles of Modifications 265a, 277 and 271. This would continue to be relevant unless and until an alternative regime is introduced, as presently being discussed as part of the BC99 project.

On days where the day ahead DFNs exceed physically available capacity (including days where that capacity is not limited by any loss of plant, maintenance or construction work) the Entry Point will be classified as a Constrained Terminal and the provisions in the above Modifications shall apply.

Effectively the 265a and 277 elements of the Proposal will reduce the price spikes as a result of constrained sells and sub-sequential buy backs and reduce extreme prices as a result of negatively priced bids.

On days when Transco is not able to make available that capacity which might reasonably be expected for the prevailing conditions of demand and supply pattern then the provisions of sections 13.7 and 13.8 (unless modified by any subsequent related Network Code modifications) will apply.

The Modification 271 element of the Proposal will discourage flows and subsequent allocations higher than Capacity (booked Annually or bid for Daily) entitlements by applying a multiplier of eight to the overrun charge on days of constraints.

This Proposal would require the existing drafting of Modification 271 to be restructured so as to allow for the day ahead DFNs at any terminal to trigger the enactment of the 271 principles where they exceed physical availability rather than the current structure which defines the terminal as constrained every day. There would also need to be some minor amendments to the time scales for notifying Shippers of scaling factors.

PURPOSE OF PROPOSAL:

The purpose of this Proposal is to endeavour to control the costs the community could face as a result of capacity constraints at Entry Terminals. Measures to reduce costs and volatility should lead to more economic and efficient operation of the system, better facilitating the relevant objectives.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

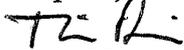
If this change is not made there is the potential for a significant increase in the costs being incurred as a result of Flexibility System Sells to alleviate constraints. Whilst this Proposal will not directly reduce the potential for DFNs to exceed physical capacity, the package of measures introduced by Modifications 265a, 277 and 271 have proved effective in reducing the magnitude of this problem and hence subsequent costs to the industry.

AREA OF NETWORK CODE CONCERNED:

Sections, D, F and Transition Document Part II

IDENTITY OF PROPOSER'S REPRESENTATIVE: Ken Reid

PROPOSER (please print): Tim Davis

SIGNATURE: 

POSITION: Manager, Network Code

COMPANY: Transco

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number: 0307

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