

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0308

SHORT TITLE: Measures to Cater for possible Terminal Constraints at St. Fergus

DATE:	14th December 1998	PROPOSED IMPLEMENTATION DATE:	19th December 1998
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URGENCY: URGENT

JUSTIFICATION OF URGENT STATUS:

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

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.

It is not possible 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 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.

At Terminals other than St. Fergus there is no evidence that nominations may breach capacity in the near future, this Proposal is therefore limited to St. Fergus. Transco have also raised Proposal 307 which contemplates the need for a longer term solution with rules consistent across Terminals.

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NATURE OF PROPOSAL:

This Proposal would apply the principles of Modifications 265a, 277 and 271 on days where Nominations at D-1 exceed Physically available capacity but contrary to the current Modification 271 would allow Secondary Capacity to be made available if available.

This new Proposal would continue to apply until an alternative regime is introduced, as presently being discussed as part of the BC99 project.

Specifically the Proposal would work as follows (where drafting is required to be changed this fact is highlighted next to the action);

11:00 - 13:00 D-1 Shippers make Daily/Secondary Capacity bids under Modification 273 (*no change*).

13:30 D-1 Demand forecast completed by Transco (*no change*)

13:30 - 14:00 Physical Capacity Availability calculated under Modification 273 for all terminals (*no change*).

14:30 St. Fergus scaling factor issued under Modification 271 (*no change*).

Where the scaling factor would be >1 (no constraint) Modification 273 applies (*amendment to Modification 271 drafting*)

Where the scaling factor is <1 (Constraint) Modification 271, 265a and 277 applies and Secondary Capacity only is offered (as appropriate) under Modification 273 (*amendment to Modification 265a, 271 and 277 drafting*).

15:00 Transco identify Daily and Secondary Entry Capacity

Transco accept bids and notify result at 15:00

16:00 Transco receive Input nominations (*no change*)

17:00-18:00 Transco compare Nominations (AT-Link) with Physical Available Capacity and 'bumps' Secondary Capacity in accordance with Modification 273 (*no change*).

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 Flexibility Mechanism prices as a result of negatively priced bids.

On days when Transco is not able to make available that capacity which might reasonably be

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expected for the prevailing conditions of demand and supply pattern then the provisions of sections I3.7 and I3.8 (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 and for a trigger to be defined and introduced to 265a, 277 and 273 (Secondary Capacity).

PURPOSE OF PROPOSAL:

The purpose of this Proposal is to endeavor to control the costs the community could face as a result of capacity constraints at Entry Terminals whilst maximising Capacity availability on days where Daily or Secondary Capacity is available.

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: 0308

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