

Development workgroup 0313 - Terms of Reference.

Composition:

Mark Ripley	Transco	Capacity
Eric Fowler	Transco	Capacity
Penny Naughton	Transco	
Phil Carter	Transco	Energy
Les Male	Transco	OCM
Nigel Sisman	Transco	
Attendees from the BC99 workshops, including:		
Katherine Befroy	Scottish and Southern Energy	
David Connor	Alliance	
Amanda Goodwin	Conoco	
Nick Simpson	British Gas Trading	
Mark Dalton	Yorkshire Energy Ltd	
Peter Bolitho	Powergen	
Rebecca Purves	Ofgas	

1.0 Scope of the Development Workgroup

1.1 Capacity.

During the development of the Code it was recognised that the regime for System Entry Capacity would require further development. This view was reinforced by the NTS Sub Group conclusions document which recommended incremental rather than step change. The events of Summer 1998 in relation to entry capacity have focused community attention on the need for greater certainty and possible options have been discussed at some length within the BC99 process. The following areas have been identified as requiring development to enable the implementation of a revised regime by no later than October 1999.

1.1.1 Service Definition

Consideration will be given to capacity services available and the rights and obligations that will be due to capacity holders.

1.1.2 Capacity Services

This will involve an examination of the mechanisms by which the availability of Long Term System Entry capacity services and Daily System Entry Capacity services will be determined and the mechanisms for making capacity services available to system Users.

1.1.3 Charging

A new charging structure will be developed to reflect that capacity services may no longer be made available only on a peak day basis.

1.1.4 Constraint Management

Development of a mechanism to manage constraints will be undertaken. Constraints will ideally be managed through the capacity regime as opposed to the energy regime. Consideration will be given to the most cost effective mechanisms for dealing with constraints.

1.1.5 Incentives

Consideration will be given to the form of incentives on Transco to maximise capacity availability.

1.1.6 Transco Liabilities

This will involve consideration of the appropriateness of potential liability mechanisms in the event that capacity entitlements cannot be honoured.

1.1.7 Evaluation

Any model will be required to deliver an increased level of certainty to the holders of capacity and capacity availability should be compared with existing base plan assumptions.

Consideration will be given to the effects of any revised entry capacity regime on the existing arrangements for exit capacity.

1.2 Energy.

Following Ofgas' consultation document on the development of the gas balancing regime, in May 1998, they concluded that the introduction of an On The Day Commodity Market (OCM) was the most appropriate way to develop the gas balancing regime. The form of this market is not yet finalised. However, it will facilitate Shipper trading and Transco using the market to access gas for aggregate supply and demand matching. This market is envisaged to be liquid and therefore price efficient which should lead to lower overall balancing costs to the industry.

To ensure this market functions effectively a number of areas of the current regime need to be developed. Transco have proposed a number of changes to help achieve this:-

1.2.1 Nominations Regime

The nominations regime needs to be developed to improve the information provided to Transco for balancing, to facilitate the introduction of the On-The-Day Commodity Market and to account for the interfaces required with the Market Operator. The data arising out of the proposed trial of the removal of the matching renomination principle (Modification 0305) also needs to be analysed to determine whether this could form the basis of any revision of the current nominations regime.

1.2.2 Safety Cases.

Throughout this process it will be necessary for the workgroup to be mindful of any impact on, or required changes to, the Transco and or National Emergency Co-ordinator safety cases, any market interactions with section Q of the Network Code, including any potential contingencies.

1.2.3 Information and Scheduling

To allow efficient operation of the system Transco require accurate and timely information on Shippers' planned gas flows. Development of a mechanism to incentivise Shippers in the provision of this information will be required. In particular 'phased scheduling' and cost targeting methodologies could be developed.

1.2.4 Imbalance Cash Out and Tolerances

An appropriate imbalance cash out methodology needs to be developed consistent with Transco sourcing residual gas for balancing from the OCM. It is necessary to consider the narrowing of imbalance tolerances and the effect this could have in promoting liquidity in the OCM. Also to be considered is the possible role that impending changes to the Storage regime may have in providing a basis for setting cashout prices and or mechanisms.

1.

2.1.2.5 Apportionment of Neutrality Costs

3. Consideration will be given to reviewing the apportionment of Neutrality costs associated with constrained on gas.

1.2.6 Transco Incentives

To encourage Transco to carry out efficient balancing actions the form and size of incentives on Transco need to be considered and developed. Consistent with an incentivised role Transco may exercise discretion in how it carries out this role.

1.2.7 Form of OCM and the Interactions with Energy Balancing and Capacity

Consideration will be given to the form an OCM should take, the interaction the Energy Balancing and Capacity regimes will have with such an OCM, and be mindful of implications for Storage and interruption.

1.2.7 Confirm the recommendation made by the OCM Evaluation Panel

The MO tender bids will be assessed against a predetermined awards criteria.

The workgroup will consider areas related to the implementation and operation of the Market Operator including:-

- The preferred form an OCM should take,
- Consideration of how an OCM will interact with the nominations regime and the impacts this will have on both the Capacity and Energy Balancing Regimes,
- Define eligibility for access to this market,
- Define the Trade types,
- Decide the method of clearing for each trade type and the process for validation to allow bid acceptance,
- Information provision to Shippers by the Market Operator
- Interactions with invoicing,
- Treatment of Transaction Costs,
- Development required of the appropriate tender rules and tender selection panel,
- Identify changes required to the Network Code to provide for the interaction with a Market Operator and an OCM,
- Contingency arrangement for OCM failure

Specifically excluded from this Development Workgroup is discussion regarding the separation of the role of residual system balancer from Transco. Any modification as to how Transco will balance the system will be dealt with through the Operational Guidelines.

2.0 Information Technology and Systems implications

Assessment of potential impact any proposals arising from this workgroup may have on Transco and shipper systems will be undertaken. Assessment of any necessary systems developments to accommodate the revised interactions between the new regimes.

3.0 Reporting

It is intended this Development Workgroup will prepare an update report to the Modification panel each month in time for the meeting of the Modification Panel.

4.0 Workgroup Timetable

February:	4th - Thursday	Energy/OCM Workshop
	11th - Thursday	Capacity Workshop
	19th - Friday	Energy/OCM Workshop
	25th - Thursday	Capacity Workshop
March:	3rd - Wednesday	Energy/OCM Workshop
	11th - Thursday	Capacity Workshop
	17th - Wednesday	Energy/OCM Workshop
	25th - Thursday	Capacity Workshop
April:	1st - Thursday	Energy/OCM Workshop

7th - Wednesday	Capacity Workshop
14th - Wednesday	Energy/OCM Workshop
21st - Wednesday	Capacity Workshop
28th - Wednesday	Energy/OCM Workshop

May:	5th - Wednesday	Capacity Workshop
	12th - Wednesday	Energy/OCM workshop

Then every other Wednesday unless otherwise notified

5.0 Key Dates.

12th May	- Code Modification Proposals to be completed and agreed (submission to Modification Panel ready for 20th May 1999).
----------	---