

Draft Modification Report
Modification Reference Number 0324
Revision of the Rules for booking an Interruptible Firm Allowance.

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 interruptible firm allowance (IFA) is a mechanism which allows shippers to interruptible sites to obtain a small amount of firm capacity (max. 30% SOQ). Under the current rules all IFAs expire on 30 September each year, no matter which date they were taken out. Also all IFAs are currently charged for twelve months capacity, so if for example an IFA were taken out in January the shipper would pay for twelve months capacity but only get the service for nine months.

This proposal, if implemented, will ensure that all IFAs run for a period of twelve months from the date on which they were first taken out.

It is envisaged that shippers will receive a single invoice to cover the 12 month period, with a second reconciliation invoice following any changes to Transco's exit capacity charges.

2. Transco's opinion:

The current arrangements for IFAs could potentially disadvantage shippers which do not take out their allowance with effect from 1 October. This proposal aims to improve the equitability of the service for all relevant shippers by allowing the period of the IFA to run for twelve months, regardless of the date from which it commenced.

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

The proposal should better facilitate competition between relevant shippers as it will introduce a system of charging which better reflects the costs of IFAs which are effective from a date other than 1 October 1999.

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

a) implications for the operation of the System:

The implementation of this proposal will have no significant impact upon the operation of the System.

b) **development and capital cost and operating cost implications:**

The modification has been designed to achieve the objective at a minimum additional cost to Transco and the community.

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 obtaining an IFA will be unchanged by this proposal. The administration charge referred to in G 1.15.2(b) is currently zero.

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

It is not anticipated that this proposal will have any impact upon 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:**

There will be no change to the level of contractual risk to Transco as a consequence of this proposal.

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

The database that is currently used by Transco Commercial Operations to administer the IFAs will require rewriting and testing prior to implementation of this modification.

There are no anticipated computer system development implications for Users as a result of this modification.

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

The implementation of this proposal will remove the potential disadvantage that some Users may currently face if they apply for an IFA with effect from any date other than 1 October.

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:**

It is not anticipated that the implementation of this proposal would have a significant effect upon any of the above parties.

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:**

No significant consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party are anticipated as a result of the implementation of this proposal.

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

The principle advantage of implementation of this modification is the fact that all IFAs would be effective for a 12 month period from the date on which they were first taken out. This will remove the situation that currently exists where a user may potentially be disadvantaged if it applies for an IFA after 1 October in any gas year.

Transco is not aware of any disadvantages of this proposal.

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

This draft Modification Report is to be issued for representations.

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

This modification is not directly linked to Transco's compliance with any 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:**

Not applicable.

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

There are no modifications required to the UK-Link Systems and therefore a programme of works will not be required as a result of implementing the Modification Proposal.

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

Transco recommends that this proposal should come into effect from 1 October 1999.

16. Recommendation concerning the implementation of the Modification Proposal:

Transco recommends that the proposal is implemented.

17. Text :

Indicative Legal Text is provided as follows :

Section G Paragraph 1.15

Amend paragraph 1.15.2 to read:

"1.15.2 Where a Firm Allowance is applied and comes into force under paragraphs 1.15.3 or 1.15.4:"

Amend Paragraph 1.15.2 (d) to read:

"(d) Subject to paragraph 1.15.10, the Registered User shall pay to Transco a charge ("the IFA Charge") in respect of the Firm Allowance for the Firm Allowance Period calculated as LDZ Capacity Charge plus NTS Exit Capacity Charge as set out in the Transportation Statement for the Gas Year in which the Firm Allowance Period Commenced."

Amend Paragraph 1.15.2(f) to read:

"(f) All amounts payable under this paragraph 1.15 (including those resulting from any adjustment in accordance with paragraph 1.15.10) shall be . . . ;"

Add new paragraph 1.15.2 (h) to read:

"(h) The Registered User will be registered as holding a Firm Allowance at the relevant Supply Point, in the case of an application under paragraph 1.15.3 for a period of 12 months referred to in paragraph 1.15.3 (a) and in the case of an

application under paragraph 1.15.4 for a period of 12 months referred to in paragraph 1.15.4 (b) ("the Firm Allowance Period").

Amend Paragraph 1.15.3 (a) to read:

"(a) shall be for a period of 12 months commencing on the date of receipt by Transco of the confirmation in accordance with paragraph (c)."

Paragraph 1.15.3 (d) delete and replace with:

"(d) for a Firm Allowance shall be considered and processed in the order in which they were received by Transco;"

Paragraph 1.15.3 (e) and (f) - delete

Paragraph 1.15.3 (g) delete "in accordance with (e) or (f)".

Paragraph 1.15.4 (a)(i)

*delete "On or before 1st September," replace with
"at least one month before the end of the period of the current Firm Allowance,"*

delete "commencing 1st October"

Paragraph 1.15.4 (a) (ii) delete "before 15th September" replace with "up to 15 Days following such offer"

Paragraph 1.15.4 (b)

delete "1st October" replace with

"the day following the last Day of the period of the current Firm Allowance."

Paragraph 1.15.5 add:

"Any such transfer of the Firm Allowance shall only become effective from the date Transco has received a notice of such transfer."

New paragraph 1.15.10 to read:

"1.15.10 An adjustment to the IFA Charge shall be made by Transco where the Firm Allowance Period commenced on a date other than the 1st October. Such adjustment shall be calculated on the basis that the portion of the Firm Allowance Period in the Gas Year prior to the 1st October shall attract an IFA Charge as set out in the Transportation Statement applicable to such Gas Year and the portion of the Firm Allowance Period in the Gas Year following the 1st October shall attract an IFA charge as set out in the Transportation Statement an IFA applicable to such Gas

Year. Such adjustment will be made after the end of the Gas Year following the Gas Year in which the Firm Allowance Period commenced.

New Paragraph 1.15.11

"1.15.11 Notwithstanding any transfer in accordance with paragraph 1.15.10, the Registered User which first applied for and was granted a Firm Allowance for the Firm Allowance Period (whether under paragraph 1.15.3 or 1.15.4) shall pay all amounts payable under this paragraph 1.15 and be entitled to receive any amount resulting from the adjustment in accordance with paragraph 1.15; in respect of such Firm Allowance Period".

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: 25 May 1999