URGENT Modification Report
MISEC - Defer Auction date by 2 weeks whilst maintaining effective date
Modification Reference Number 0434

Version 3.0

This Modification Report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.9.3.

Circumstances Making this Modification Proposal Urgent:

In accordance with Rule 9.1.2 Ofgem has agreed that this Modification Proposal should be treated as Urgent because Modification 410 'Auction of Monthly Interruptible System Entry Capacity' which was accepted by Ofgem in July 2000, allowed for the sale of monthly interruptible entry capacity, in the monthly auctions for the period 1 October 2000 to 31 March 2001. However, due to systems development time scales, the monthly interruptible product could only be made available for the period 1 December 2000 to March 2001. In the meantime Transco agreed to release the full interruptible quantities, as specified in the modification, on a day ahead basis until 30 November 2000.

The Auctions of monthly interruptible capacity are due to be completed by 10 November 2000, with an effective date for the capacity of December 2000. However, Transco has concerns that the new RGTA systems to provide auctions of monthly interruptible capacity may not be fully tested in time to achieve auctions by this date. If the systems are not available then a manual contingency will be required. It is preferable to conduct the auctions via the RGTA system to minimise to potential for errors and the administrative effort of operating a manual contingency. Taking this into account, Ofgem considers that it is appropriate to grant this modification proposal urgent status, so that any deferral can be made well in advance of the commencement of the auctions.

Procedures Followed:

Transco agreed with Ofgem (and has followed) the following procedures for this Proposal:

Representations Close Out	- 30/10/00
Report to Ofgem	- 31/10/00
Decision	- 02/11/00
Implementation	- 03/11/00

1. The Modification Proposal

It is proposed that the MISEC auction date be delayed for two weeks whilst retaining the effective start date of the service. Currently the auctions are due to be completed by the 10 November 2000 with an effective date of 1 December 2000. This proposal would defer the process so that the auctions are conducted on 21 and 24 November 2000.

2. Transco's Opinion

Transco supports the implementation of a MISEC service effective from 1 December. Systems have been developed within RGTA to provide auctions for MISEC. However substantial changes are required within the RGTA systems and this necessitates a comprehensive testing

programme. The schedule for delivery of the systems in time for a first auction round on 7 November means that the testing programme is very intensive.

Transco has concerns that if problems are identified during testing then there would be insufficient time to remedy them before the auctions.

Transco therefore supports a two week deferral of the MISEC auction start date. It considers that this would afford sufficient time for the test programme to be concluded and allow delivery of a robust, fully tested system.

The test programme status on 31 October 2000 was:-

Total number of tests scheduled (including regression) - 2761

Number of test outstanding (including regression) - 894

Against this schedule Transco anticipates that the test programme will be completed on 7 November 2000, (the scheduled day of the first MISEC auction), however, there is a requirement for a minimum of two days system set up prior to the auction taking place.

Transco is confident that the proposed deferral of two weeks would allow adequate time for the completion of the test programme and affords a reasonable period for correction of faults prior to the first MISEC auction. In the event that the proposal is not implemented Transco may not have sufficient time to complete and setup the MISEC system prior to the auction date and therefore would be obliged to initiate manual MISEC contingency arrangements which would introduce an additional level of risk to both shippers and Transco.

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

The proposed modification gives greater assurance of the delivery of a robust and fully tested MISEC auction system. Transco considers that a two week delay to the implementation of the system would allow the auctioning and allocating of interruptible capacity by a more efficient process than that provided by the alternative manual contingency, thus facilitating competition between shippers.

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

a) implications for the operation of the System:

No such implications envisaged.

b) development and capital cost and operating cost implications:

A delay in the MISEC auctions can be accommodated within the implementation plan and no additional costs are anticipated.

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:

Not applicable.

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

Not applicable.

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

Reducing the time between the MISEC auction date and the effective date of the monthly interruptible service may reduce the time available to correct any errors in the allocation process.

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

The change to date of the MISEC auction can be accommodated by the existing computer systems and no development work would be required. Transco is not aware of any adverse impact on users systems.

7. The implications of implementing the Modification Proposal for Users

Anticipated to have minimal effect - Users will have less time to consider their allocations of MISEC for December 2000 and trade position. However, this is anticipated to be a small impact.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

No such implications envisaged.

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 such implications envisaged.

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

Advantages:

- Allows for completion of the test programme.
- Provides adequate period for fault repair.
- December 2000 effective start date retained.

Disadvantages:

- Lead time between the auction and the effective date foreshortened.

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

Representations have been received from nine respondents. These are : Yorkshire Energy Limited, PowerGen, Alliance Gas, Dynegy, Scottish Power, British Gas Trading, Shell Gas Direct Limited, Conoco and BP Gas Marketing Limited. Seven respondents express support for the modification proposal and two express support for a delay to the implementation of the MISEC auctions, but via the route set out in modification proposal 0435.

PowerGen, Alliance, British Gas Trading, BP Gas Marketing Limited and Conoco all express support for modification proposal 0434 and all indicated that they would not be supportive of the deferral of the effective start date as proposed in modification 0435.

Both PowerGen and British Gas Trading comment that they would not be supportive of a delay to the effective start date of 1 December 2000 and if necessary would propose a move to manual contingency arrangements. British Gas Trading adds that it considers that any contingency measure should be based upon fax technology rather than e-mail as this offers a more robust solution.

British Gas Trading, Alliance Gas and BP Gas Marketing highlight that shippers took part in the MSEC auction for the period October 2000 - March 2000 on the understanding that the MISEC service would be available from 1 December 2000. Alliance Gas further comments that it is not acceptable to allow rule changes that affect the capacity regime for a period for which the MSEC auctions have already taken place.

British Gas Trading suggests that user acceptance testing should involve shippers and that shippers should have sight of the new RGTA screens prior to the auction date in order to permit familiarisation and some basic testing.

Scottish Power supports modification 0434 highlighting that the service was dependant on systems development progress.

Dynegy and Yorkshire Energy Limited express support for delay to the implementation of the MISEC auctions, but via the route set out in modification 0435, that proposes a one month delay to both the auction and the effective date. They consider that modification 0434 does not allow sufficient time to test the robustness of the system and in their opinion the one month deferral provided by modification 0435 would better meet this objective.

Shell Gas Direct Limited comments that contingency arrangements have not been discussed or practised with shippers. Therefore if there is the remote risk that Transco IT systems will not be available it considers the auction should be delayed by at least one month. It adds that it does not consider it appropriate to rush manual contingency arrangements into place in the next week and would propose delaying the auctions until the systems can be more carefully introduced.

Transco Response

Transco welcomes the support given for the proposed delay of the MISEC auctions.

Transco considers that a 2 week deferral of the MISEC auction would provide sufficient time for the successful completion of the test programme. Based on test programme statistics Transco would not anticipate any further delay to the implementation of the MISEC auction.

Transco understands that Network Code provisions of a 1 December 2000 effective date for the introduction of MISEC services may have influenced bidding behaviour within the MSEC auctions for the period October 2000 to March 2001. Transco also understands that a delay of the MISEC service may have an effect on the perceived value of capacity allocations for a period that is already underway, therefore Transco believes that the MISEC service effective start date should remain as 1 December 2000.

Transco confirms that if system testing reveals problems that cannot be rectified before the revised auction dates or if there are other concerns regarding the robustness of the RGTA systems then it will invoke the manual contingency arrangements for the initial MISEC auctions. The contingency arrangements will be provided via a fax based technology in compliance with the Network Code. The MISEC auction contingency procedures are to be issued to relevant Users on 1 November 2000.

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 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

Not required as a consequence of the proposed change in the methodology.

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

There are no modification required to the UK Link system and therefore a programme of works would not be required as a result of the implementing the Modification Proposal.

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

Transco recommends that this Modification Proposal is implemented on 3 November 2000.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this modification is implemented.

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 Gas & Electricity Markets Authority in accordance with this report.

19. Text

TRANSITIONAL DOCUMENT PART II

Amend text in paragraph 8.1 to read as follows:

B2.6 In respect of the Gas Year 2000/2001

(2) the reference in Section B2.6.2 (a) to 15 August in the Preceding Year shall be deemed to be a reference to ~~7~~ [21] November 2000.

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0434**, version **3.0** dated **01/11/2000**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **3.0**.

Signature:

Process Manager - Network Code

Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:

   (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") 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 Authority 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 paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriate

   provided that if the Authority does not so approve the Agreement then Clause 3 shall apply.

2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.

3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.

4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.