Transco, Shippers and Other Interested Parties

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Dear Colleague,

Network Modification 0438

'Change Renomination Start Time'

Ofgem has considered the issues raised in modification proposal 0438 'Change Renomination Start Time'. Ofgem has decided to accept the proposal on the basis that it better facilitates the relevant objectives of Transco's Network Code.

In this letter we explain the background to the modification proposal and give reasons for making our decision.

Background to the Proposal

The current Renomination Start Time for gas flows on a day (D) is 18:00 on the preceding day (D-1). Since revised demand attribution is normally published at around 16:30 there is a period of around 90 minutes where no changes can be made to a shipper's nominated position for the following day.

The reason for this dead period is to allow time for Transco to schedule system inputs and outputs and also to schedule NBP trades; the latter is a batch computing process which needs to be complete before further trades etc. are entered in AT-Link.

After 18:00 shippers can start to enter trades completed during the latter part of the daily trading period, and to rebalance their AT-Link portfolio to take account of these trades and of demand and input changes. Transco have now refined their procedures and processes such that they can reliably complete there scheduling by 17:30 and allow shippers to renominate from that time.

In Transco's original proposal, version 1.0, they recommended that the modification be implemented with effect from 20 December 2000. In version 2.0, Transco reassessed the time required to make the system change and recommended that it be implemented with effect from 21 January 2001.

Modification Proposal

To change the Renomination Start Time from 18:00 hours on D-1 to 17:30 hours on D-1 so that shippers are able to make renominations earlier.

Respondents' views

In total Transco received five responses to Modification Proposal 0438. All of the respondents supported the proposal on the grounds that such a modification would promote a more efficient use of resources across the whole shipping community and it was recommended that this modification be implemented as soon as is practically possible.

Transco recognise that the scheduling processes can now be completed within a shorter timescale to that currently set out within the Network Code. Therefore they support the proposal on the basis that bringing forward the renomination start time could give Shippers greater flexibility.

Ofgem's view

Any costs associated with this proposal are expected to be limited, as the system charge is restricted to an AT-Link parameter value. System costs would be recovered from the budget for system development so no changes to operating costs are anticipated. This proposal should therefore not involve substantial development, capital and operating costs. The potential disadvantages of this proposal are that it could require amendments to the nomination process and the computer systems of users but these changes are expected to be minor.

Ofgem believes that changing the renomination start time to 17.30 would allow Shippers to take advantage of Transco's improved gas systems and procedures, thereby promoting effective competition between users. In addition Transco would receive information gas flow renomination at an earlier stage which may assist in the operation of the system. Ofgem is satisfied that the benefits to Transco and system users from implementing this proposal make the potential costs and impact on the nomination process and computer systems acceptable as they are expected to be minimal.

Ofgem's Decision

Ofgem believes that the proposal will better facilitate:

1. the efficient and economic operation by Transco of its pipe-line system;
2. the securing of effective competition between relevant shippers and relevant suppliers, and
3. the provision of reasonable economic incentives for relevant suppliers to secure that the domestic supply security standards are satisfied as respects the availability of gas to their domestic customers.

Taking the above considerations into account, Ofgem has decided to direct Transco to implement this modification to its network code.

Further Information

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely

Sonia Brown
Head of Market Surveillance