

04/08/2003

Dear Colleague,

**NOTICE OF IMPLEMENTATION  
MODIFICATION PROPOSAL No: 0638**

"Extended LTSEC Auctions at New Entry Points"

Please note that Modification Proposal No 0638 was implemented with effect from 06:00 hours on 04/08/2003. The Final Modification Report, Version 1.0, was signed by Ofgem on 01/08/2003.

The new Network Code text resulting from this Modification follows.

**Modified Text:**

Proposed legal text

**SECTION B: SYSTEM USE AND CAPACITY**

*Add new paragraph 2.2A to read as follows:*

**2.2A New Aggregate System Entry Points and System Entry Capacity auctions**

**2.2.1A** For the purposes of this paragraph 2.2A:

- (a) a "**New**" Aggregate System Entry Point is an Aggregate System Entry Point in respect of which Transco has not previously held an annual invitation in accordance with paragraph 2.2 or this paragraph 2.2A;
- (b) an "**initial**" quarterly capacity bid is a capacity bid submitted on an initial annual invitation date and a "**secondary**" quarterly capacity bid is a quarterly capacity bid submitted on a secondary annual invitation date.

**2.2.2A** By not later than the Day falling twenty eight (28) Days before the first initial annual invitation date, Transco will notify Users of the applicable reserve prices and the step prices that will apply in respect of the New Aggregate System Entry Point for the purposes of the first annual invitation.

**2.2.3A** Transco will invite applications ("**first**" annual invitation) for Quarterly System Entry Capacity at the New Aggregate System Entry Point for each calendar quarter in Capacity Year + 2 to Capacity Year + 16 (inclusive) for such aggregate amounts of System Entry Capacity as is specified in the first annual invitation and Users may make applications for System Entry

Capacity in respect of the New Aggregate System Entry Point in accordance with this paragraph 2.2A.

2.2.4A Transco's annual invitation under paragraph 2.2.3A will specify:

- (a) the date(s) on which applications ("**initial applications**") pursuant to the first annual invitation may be made, which shall be a period of ten (10) consecutive Business Days, (each such date an "**initial**" annual invitation date);
- (b) the date(s) on which further applications ("**secondary applications**") pursuant to the first annual invitation may be made, which shall be a period of ten (10) consecutive Business Days, (each such date a "**secondary**" annual invitation date);
- (c) the conditions which must be satisfied before Transco will invite Users to submit secondary applications;
- (d) for the New Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive), the Available System Entry Capacity and the applicable reserve prices for Baseline System Entry Capacity (in accordance with the Transportation Statement) (the "**applicable reserve price**");
- (e) for the New Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive):
  - (i) the relevant number of incremental capacity amounts of Quarterly System Entry Capacity greater than the Baseline Entry Capacity (the maximum incremental capacity amount being not less than an amount equal to 150% of Baseline Entry Capacity); and
  - (ii) the step price payable by Users for each different incremental capacity amount were Transco to make such incremental capacity amount available,in each case (in accordance with the Transportation Statement); and
- (f) the relevant number for the purposes of paragraph (d) being twenty (20) except in event of a New Aggregate System Entry Point where the Baseline Entry Capacity is less than 300,000,000 kWh/Day where the relevant number (being not greater than twenty (20) and not less than five (5)) as set out in the Transportation Statement.

2.2.5A Provided the conditions referred to in the first annual invitation are satisfied Transco will by not later than the Day falling twenty-eight (28) Days before the first Day on which Users may submit secondary applications re-notify Users of each of the secondary annual invitation date(s), and Transco's invitation will be in accordance with paragraph 2.2.4A and the applicable reserve price shall be the same as that applicable reserve price that applied when Users were invited to submit initial applications.

2.2.6A Users may apply for Quarterly System Entry Capacity for a calendar month in each of Capacity Year + 2 to Capacity Year + 16 (inclusive) in respect of the New Aggregate System Entry Point on initial annual invitation dates and on secondary annual invitation dates (and a

User who has not submitted an initial application shall not be prevented from submitting a secondary application where Transco invites secondary applications).

- 2.2.7A For the avoidance of doubt, and without prejudice to the further provisions of this paragraph 2.2.A, in relation to a first annual invitation:
- (a) paragraphs 2.2.5, 2.2.6, 2.2.8, 2.2.10, 2.2.11 and 2.2.12 shall apply;
  - (b) paragraph 2.2.9 shall apply provided that an initial quarterly capacity bid may not be withdrawn on a secondary annual invitation date;
  - (c) paragraph 2.2.17 shall apply for which purposes the prevailing relevant step price group shall be determined by reference to the quantities of Quarterly System Entry Capacity applied for in aggregate at the New Aggregate System Entry Point by Users up until 17:00 hours on each relevant invitation date).
- 2.2.8A Without prejudice to paragraph 2.2.9A, following the submission of initial applications in relation to the New Aggregate System Entry Point paragraph 2.6 shall apply and Transco shall allocate System Entry Capacity and Users will be registered as holding Quarterly System Entry Capacity at the New Aggregate System Entry Point in the amounts so allocated.
- 2.2.9A Where Transco invites and Users submit secondary applications in relation to the New Aggregate System Entry Point paragraph 2.6 shall again apply for which purposes the Reserve Price Bid Amount and the relevant step price group shall be determined by reference to initial quarterly capacity bids and secondary quarterly capacity bids and Transco shall allocate or (as the case may be) reallocate System Entry Capacity and Users will be registered as holding Quarterly System Entry Capacity in the amounts so allocated or (as the case may be) reallocated.
- 2.2.10A For the avoidance of doubt following the allocation of System Entry Capacity under paragraph 2.2.9A Users agree to pay by way of System Entry Charges for the Quarterly System Entry Capacity allocated the step price corresponding to the relevant step price group for the calendar quarter following the second application of paragraph 2.6 irrespective of whether or not the step price is the same as the step price corresponding to the relevant step price group following the first application of paragraph 2.6 in respect of initial applications.
- 2.2.11A Nothing in this paragraph 2.2A shall be construed as giving rise to a requirement that Transco make available System Entry Capacity in relation to the New Aggregate System Entry Point on secondary annual invitation dates or that Transco invite Users to submit secondary applications.

Yours sincerely,

Julian Majdanski  
Modification Panel Secretary