Shippers, Transco and other interested parties

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Dear Colleague,

Network code modification proposal 0694 - *Entry capacity terminology and definitions*

Network code modification proposal 0694 *Entry capacity terminology and definitions* was raised by Transco on 14 May 2004. Ofgem has carefully considered the views of the respondents to this modification proposal and has decided to direct Transco to implement the modification because it better facilitates the achievement of the relevant objectives of Transco's network code, as set out under standard condition 9 of Transco's Gas Transporter (GT) licence.

In making this decision Ofgem has taken into account its statutory duties and Transco's obligations under its GT licence. The reasons for making this decision are set out below.

Background

Following Ofgem's approval of modification 0500 *Long-Term Capacity Allocation* in September 2002, Transco auctions of quarterly system entry capacity (QSEC) rights that enable shippers to access the NTS up to 15 years ahead of use. Following the implementation of modification 0617 *Revision to the standard year for the purposes of acquiring and holding long-term system entry capacity* in July 2003, Transco sells capacity from April Y+2 to March Y+ 17 (capacity year) in each annual QSEC auction. The next long-term QSEC auction is scheduled for September 2004, auctioning capacity from 2006 to 2021 (in line with the April to March capacity year).

Following the decision to direct Transco to implement modification 0616 *Revision to the standard year for purposes of acquiring and holding annual monthly system entry capacity*, in July 2003, annual monthly system entry capacity (AMSEC) auctions are held in February of each year. In the February AMSEC auctions Transco offers capacity for capacity year April (Y+1) to March (Y+2).

The provisions for the QSEC and AMSEC auctions are currently set out under Section B of the network code.

The proposal

Modification 0694 proposes eight amendments to definitions and terminology within section B of the network code in order to align the text with Transco's current GT licence. Scottish and Southern Energy identified two further minor typographical amendments. The details of the proposed amendments are:

Network Code Section B

• Paragraph 2.1.5 (a)	amend definition of 'Baseline Entry Capacity' to 'NTS SO Baseline Entry Capacity'
• Paragraph 2.1.5 (c)	amend the definition of unsold system entry capacity so that it references paragraph 2.2 to each day in a calendar quarter in the case of QSEC , or each day in a calendar month in the case of AMSEC
• Paragraph 2.2.4	Users should be able to apply for MSEC for Capacity Year + 1 and Capacity Year + 2
• Paragraph 2.2.18 (a)	Change 'provisiions' to 'provisions'
• Paragraph 2.2.18 (c)	Change 'invitate' to 'invite'
• Paragraph 2.2.18 (f)	Amend 'calendar month' to 'calendar quarter'
• Paragraph 2.6.3 (a) and (b)	Refer to the reserve price and 'relevant price step'
• Paragraph 2.6.3 (a)	'Applied' should be 'applied'
• Paragraph 2.6.3 (b)	'user' should be 'User'
• Paragraph 2.6.5	Insert 'point' under 'aggregate system entry'

Respondents' views

There were six respondents to the proposal. All of the respondents supported the modification proposal.

Two of the respondents stated that proposal 0694 would improve consistency between the network code and Transco's GT licence. Two respondents maintained that this proposal would ensure the consistent application of the network code. Two respondents agreed that the proposal would better facilitate the network code objective on Transco to efficiently discharge Transco's obligations under the GT licence.

One respondent expressed their support for raising the proposed amendments as a network code modification rather than utilising the 'consent to amend' process. They commented that a modification proposal provides better clarity to the proposed changes and allows respondents adequate time to effectively consider the implications of any proposed amendments.

Transco's view

Transco stated that it would be prudent to improve the consistency of terminology and definitions used within Section B of the network code with other network code provisions and Transco's GT licence.

Transco stated that this alignment would better facilitate Transco's compliance with the relevant objective under standard condition 9 of the GT licence to achieve the efficient discharge of Transco's obligations under the licence.

Ofgem's view

Consistency in the terminology and definitions between the network code and the GT licence and the amendment of any typographical errors should help avoid any inconsistent interpretations of section B of the network code. The modification proposal would provide clarity to those shippers seeking to purchase entry capacity in the forthcoming annual QSEC auctions in September 2004 and the AMSEC auctions in February 2005.

Ofgem's decision

For the reasons outlined above, Ofgem has decided to approve modification 0694 as it better facilitates the relevant objectives of Transco's network code under standard condition 9 of Transco's GT licence. In particular, modification proposal 0694 better facilitates the efficient discharge of Transco's obligations under the GT licence.

If you have any further questions regarding this letter please do not hesitate to contact me on the above number or Tolani Azeez on 020 7901 7043.

Yours sincerely

A Walker

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