Modification Report
Entry Capacity Terminology and Definitions
Modification Reference Number 0694

Version 1.0

This 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 Proposer stated that :

"The following definitions and terminology in Network Code Section B should be amended such that:

i. The definition of "Baseline Entry Capacity" (2.1.5(a)) needs to be tied to the GT licence term "NTS SO Baseline Entry Capacity".
ii. The definition of Unsold System Entry Capacity (2.1.5(c))(i), should be amended 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.
iii. In 2.2.4, Users should be able to apply for MSEC for Capacity Year +1 and Capacity Year +2
iv. Typo - 2.2.18(a)(i) "provisiions" should read "provisions"
v. Typo - 2.2.18(c) "invitate" should read "invite"
vi. 2.2.18(f) should be amended to refer to a calendar quarter rather than a calendar month
vii. 2.6.3(a) and 2.6.3(b) should include reference to the reserve price as well as the relevant step price group
viii. 2.6.5 - insert "Point" after Aggregate System Entry"

2. Transco's Opinion

Transco supports implementation of the Proposal. Since the implementation of Network Code Modification Proposal 0500, which established the rules for the allocation of Long Term System Entry Capacity (LTSEC) by auction there have been a number of other Modification Proposals implemented that seek to optimise the allocation of System Entry Capacity. Transco believes that, prior to the September 2004 LTSEC auctions it is prudent to improve the consistency of certain terminology and definitions used within Section B of the Network Code with other Network Code provisions and Transco's Gas Transporter Licence.

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

Transco considers that the proposed changes would align terminology and definitions used in Section B of the Network Code with Transco's GT Licence which would better facilitate compliance with the relevant objective Standard Condition 9(1)(b), i.e. the efficient discharge of its obligations under its Licence.

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

a) implications for the operation of the System:

Transco has not identified any implications for the operation of the System.

b) development and capital cost and operating cost implications:

Transco has not identified any such costs.

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:

Transco envisages no such consequences.

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

It is anticipated that implementation would reduce the level of contractual risk to Transco as it would better align Section B of the Network Code with Transco's GT Licence and correct a number of typographical errors and incorrect references in Section B of the Network Code.

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

Transco envisages no such implications.

7. The implications of implementing the Modification Proposal for Users

Users would have further clarity with regards to those provisions of Network Code Section B associated with LTSEC auctions.

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

Transco envisages no such implications.

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

Transco envisages no such consequences.

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

Advantages:

Greater clarity provided to Users would reduce the potential for inappropriate application of the Network Code rules.
Improve consistency between the Network Code and Transco's GT Licence.

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

Representations were received from the following six respondents:

Powergen
EDF Energy
Scottish & Southern Energy
British Gas Trading
RWE Innogy
Shell Gas Direct

All the respondents expressed support for the proposal.

Powergen, EDF Energy, Scottish & Southern Energy and British Gas trading supported the proposal stating that it corrected inconsistencies between the Network Code and Transco's Gas Transporter Licence.

Scottish & Southern also identified that two minor amendments were required to the draft legal text:

2.6.3 (a) "Applied" should be "applied"
2.6.3 (b) "user" should be "User"

Shell Gas Direct supported the proposal as it provided greater clarity and ensured consistency in usage with the Network Code. Shell further commented that the use of a modification proposal rather than the "consent to amend" process allowed for better clarity to changes and Shippers adequate time to consider the implication of amendments properly.

Transco's Response

Transco welcomes the support for the modification proposal and notes the responses received. The two minor amendments to the legal text proposed by Scottish & Southern Energy have been incorporated.

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

No such requirement exists in respect of the Modification Proposal.

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

No such requirement exists in respect of the Modification Proposal.

14. Programme of works required as a consequence of implementing the ModificationProposal

As there is expected to be no impact on UKLink systems, no such programme of works is required.

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

Proposed implementation date is 1 August 2004, subject to the timing of an Ofgem decision.

16. Recommendation concerning the implementation of the Modification Proposal

Transco supports implementation of the Proposal.

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

Section B

Amend paragraph 2.1.5(a) to read as follows:-

"(a) "**NTS SO Baseline Entry Capacity**" is the amount of System Entry Capacity which …… Transportation Statement;"

In each of the following paragraphs, all references to "Baseline Entry Capacity" shall be amended to "NTS SO Baseline Entry Capacity":-

paragraph 2.2.3(c)(i);

paragraph 2.2.3(d);

paragraph 2.2.18(d)(v)(1);

paragraph 2.2.18(d)(vi); and

paragraph 2.14.2(g).

Amend paragraph 2.1.5(c)(i) to read as follows:-

"(i) paragraph 2.2, in relation to each Day in a calendar quarter (in the case of QSEC) or in a month (in the case of AMSEC);"

Amend paragraph 2.2.4 to read as follows:-

"2.2.4 Users may apply for Monthly System Entry Capacity for a calendar month in Capacity Year + 1 and/or Capacity Year + 2 and/or (without prejudice…….. annual invitation dates."

In paragraph 2.2.18:-

amend "invitate" in sub-paragraph (c) to "invite"; and

amend sub-paragraph (f) to read as follows:-

"(f) Users may apply for Quarterly System Entry Capacity for a calendar quarter in each of Capacity Year……invites secondary applications)."

Amend paragraph 2.6.3 to read as follows:-

"2.6.3 Where this paragraph 2.6.3 applies pursuant to paragraph 2.6.1, subject to paragraph 2.6.4:

(a) Quarterly System Entry Capacity will be allocated to each quarterly capacity bid in the relevant price step group or the reserve price (as the case may be) (in each case excluding any ……. applied for; and

(b) the User agrees to …… with paragraph (a) the step price or the reserve price (as the case may be) corresponding to the relevant step price group for the calendar quarter."

Amend the opening sentence of paragraph 2.6.5 to read as follows:-

"2.6.5 For the purposes of this paragraph 2.6, and in respect of an Aggregate System Entry Point in relation to a calendar quarter:"

Signed for and on behalf of Transco.

Signature:

Richard Court
Commercial Frameworks Manager
NT & T

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 **0694**, version **1.0** dated **21/07/2004**) 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 **1.0**.

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.