

CODE MODIFICATION PROPOSAL No. 0030
"Extension of the QSEC auction timetable for 2005"
Version 1.0

Date: 24/06/2006

Proposed Implementation Date: 12/08/2005

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

Transco NTS seeks this Modification Proposal to proceed direct to consultation in accordance with Section 7.3 of the modification procedures in the UNC with a shortened consultation timetable as indicated in Section 4.

Nature and Purpose of Proposal (including consequence of non implementation)

It is proposed that the time period for undertaking the 2005 Quarterly NTS Entry Capacity auction ("QSEC auction") be extended from 1 September 2005 - 30 September 2005 to 1 September 2005 - 30 November 2005.

The purpose of this Proposal is to provide additional flexibility in the timescales for undertaking the QSEC auction such that the conclusions of Ofgem's consultation on the Unit Cost Allowances (UCAs) for System Entry Points ("Gas transmission – new NTS entry points, reserve prices in auctions and unit cost allowances (UCAs) – Consultation document", May 2005, 139/05) may be known prior to issuing the QSEC auction invitation. In accordance with Transportation Principal Document Section B2.2, this invitation must be issued at least 28 days prior to commencing the QSEC auction, which in turn is conducted over a period of 10 consecutive business days during September. This means that the annual QSEC invitation must be issued by 19th August without changes to the auction timetable. This Proposal therefore seeks to cater for the following:

- Ofgem's final proposals on UCAs are not available by 19th August 2005; and/or
- Ofgem's final proposals require further industry consultations to establish new auction prices for System Entry Points; and / or
- any other related circumstance that would affect auction prices,

without impacting the timescales for undertaking the annual and rolling Monthly NTS Entry Capacity that follow the QSEC auctions. It is recognised that further changes to auction timescales for Capacity Year 2005/06 may be required dependant on the Ofgem's final proposals on entry UCAs.

If this Proposal were not implemented in the timescales identified, Transco NTS would be obliged to undertake the QSEC auctions in September potentially without clarity on entry UCAs or in the knowledge that UCAs are to be revised.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

Transco NTS considers this Proposal would, if implemented, better facilitate the following Relevant Objectives as set out in its Gas Transporters Licence:

- in respect of paragraphs A11.1(a), the Proposal would enable auction participants to provide informed investment signals to Transco NTS, which would better facilitate the efficient and economic operation of the NTS pipeline system; and
- in respect of paragraph A11.1(d)(i), the Proposal ensures that the QSEC auctions can be held as close as possible to the existing UNC provisions for holding QSEC auctions and, by ensuring that these auctions are held in a timely fashion, facilitate the securing of effective competition between shippers.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

a. Proposed implementation timetable

Transco NTS believes the following timetable should be adopted:

Proposal sent to the Joint Office	23/06/2005
Modification Panel agree consultation timetable	06/07/2005
DMR issued for consultation (5 days)	13/07/2005
Close out of representations (5 days)	20/07/2005
FMR issued to Joint Office (5 days)	27/07/2005
Modification Panel decide upon recommendation	03/08/2005
Ofgem decision expected	12/08/2005

b. Proposed legal text

In Transition Document - Part IIC – Transition Rules,

Insert the following as new paragraph 1.1, and renumber existing paragraphs accordingly:

"1.1 TPD Section B: System Use and Capacity

1.1.1 TPD Section B2.2.1(d)

- (a) Notwithstanding TPD Section B2.2.1(d) (which requires that Transco NTS will invite, and Users may make, applications for Quarterly NTS System Entry Capacity during the month of September in each Capacity Year), for the Capacity Year commencing on 1 April 2005 Transco NTS will invite, and Users may make, applications for Quarterly NTS Entry Capacity in respect of each Aggregate System Entry Point for the periods specified in TPD Section B2.2.2(b) no earlier than 1 September 2005 and no later than 30 November 2005."

c. Advantages of the Proposal

Transco NTS believes that this Proposal:

- would enable the 2005 QSEC auctions to proceed in a timely fashion once there is clarity in the parameters that are to be used for setting auction prices;
- enables auction participants to better understand the investment signals they provide to Transco NTS to better facilitate its broader obligations to develop an efficient and economic pipeline system;
- postpones making any further changes to the broader auction framework, should the Authority's decisions require this, until there is a clear case to do so.

d. Disadvantages of the Proposal

Transco NTS recognises that this Proposal increases the uncertainty in the timing of the next QSEC auctions. However, Transco NTS would contend that this is a necessary step following the Authority's decision to potentially revise the UCAs for existing entry points. Furthermore, the Proposal seeks to limit this uncertainty by retaining a finite time period in which the QSEC auctions for existing System Entry Points must be held and that these revised arrangements are only in place for the 2005/06 Capacity Year.

In the event that this Proposal were to be implemented and the auctions were undertaken beyond September, there may be an impact on the timescales from which Transco NTS would allocate incremental NTS Entry Capacity, particularly if the bids received materially differ from the central case assumptions contained within the Transporting Britain's Energy document.

e. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

Transco NTS does not believe this Proposal, if implemented, would adversely impact upon security of supply, operation of the Total System, or industry fragmentation.

f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including

i. implications for operation of the System

Transco NTS does not believe this Proposal, if implemented, would adversely affect the operation of the System.

ii. development and capital cost and operating cost implications

Transco NTS believes this Proposal, if implemented, would have negligible cost implications.

iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs

Transco NTS does not believe this Proposal, if implemented, requires it to recover any additional costs.

iv. analysis of the consequences (if any) this proposal would have on price regulation

Transco NTS does not believe this Proposal, if implemented, would have any consequences on price regulation.

g. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

Transco NTS believes that the Proposal reduces the contractual risk that it is exposed to by providing additional limited flexibility in the QSEC auction arrangements for 2005 to accommodate wider industry developments.

h. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

Transco NTS does not envisage any impact on the UK Link System if this Proposal were to be implemented.

i. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Nothing has been brought to the attention of the Proposer to suggest that Users would incur additional costs or risks under the Uniform Network Code to implement the Proposal.

Code Concerned, sections and paragraphs

UNC Transition Document, Part IIC Transitional Rules

Proposer's Representative

Paul Roberts (National Grid Transco - UKT)

Proposer

Richard Court (National Grid Transco - UKT)

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