

Modification Report
Delay to Monthly Capacity Auction - Summer 2000
Modification Reference Number 0399

Version 3.0

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

Following the auctions of Monthly System Entry Capacity (MSEC) held in March 2000, discussion has commenced amongst industry participants about modifications to the auction process that may be appropriate before the next round of auctions for the purchase of MSEC for use from 1 October 2000. In order to facilitate that discussion and enable modifications to be progressed without undue haste it is proposed that completion of the forthcoming auctions is changed from 31 July 2000 to 31 August 2000.

In addition to views on the appropriateness of this change in date respondents were invited to comment upon alternative dates within representations.

2. Transco's Opinion

Transco supports the proposed delay in the completion date of the Monthly System Entry Capacity auction. It believes that potential changes to the auction process should be afforded sufficient time for development and possible implementation in advance of the October auction start date. Transco believes a delay in the auction start date will ensure the benefits of these possible changes can be more fully evaluated prior to the auction.

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

The proposed modification would help ensure that developments in the entry capacity regime which are currently being considered could be implemented in advance of the start date for the next auction. Should these developments be considered to improve the efficiency of the auctions, this proposal will allow for their implementation at the earliest opportunity.

It is anticipated that developments to the auction design should enable Transco to further the efficient and economic operation of its pipeline system.

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

a) implications for the operation of the System:

No such implications are envisaged.

b) development and capital cost and operating cost implications:

The changes to the capacity auction dates can be accommodated within the existing system and no additional costs are anticipated.

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 does not anticipate any such consequence on price regulation.

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

There are no anticipated consequences on the level of contractual risk to Transco.

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

The change to the dates of the monthly capacity auctions can be accommodated by the existing computer systems and no development work would be required.

7. The implications of implementing the Modification Proposal for Users

It would allow more time for the development of potential enhancements to the auction process. However, shippers would have less time between completion of the auction and the date when capacity will be first used.

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

No such implications are envisaged.

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

No such implications are envisaged.

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

Advantages :

Allows further time for discussion and potential development of the monthly capacity auctions in time for the first round of the October 2000 Monthly System Entry Capacity auction.

Provides further time for shippers to assess capacity auction processes and determine their bidding strategies in the light of any potential developments

Disadvantages :

Shippers would have less time following completion of the auction to assess and, if necessary, modify their capacity holding position through the secondary market prior to 1 October 2000.

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

Representations have been received on the draft Modification Report from BP Amoco, British Gas Trading, Alliance Gas and Scottish and Southern Energy. All respondents are in support of the proposal.

BP Amoco expresses support for the proposal and no further comments are made.

British Gas Trading supports the proposal but stresses that there must be no further delay to the auction timetable and the completion date must not slip past 31 August 2000.

Alliance Gas also expresses support for the proposal but only on condition that the Ofgem decision on the proposal is made at least two weeks before the start of the auction. Scottish and Southern Energy (SSE) also stresses that its support for the proposal is based on the understanding that there will be at least one months notice of any amendment to the auction structure.

SSE also considers that it is important that decisions on the Pricing Consultation proposals are reached prior to the close out of the consultation period on the other Modification Proposals relating to the Entry Capacity regime. It is also noted that, given the timescales, it may be appropriate for the industry to only consider modification of the auction parameters and reserve prices for the next auction and work towards introducing more fundamental changes in April 2001.

Transco Response

Transco welcomes the support given for the Modification Proposal.

Transco acknowledges the importance of finalising the Pricing proposals prior to the close out date of the consultation period on the Modification Proposals relating to the Entry Capacity regime (Modifications 0408, 0409 and 0410). The Pricing Consultation period will close on 23 June 2000 and the consultation report, including final proposals, will be issued soon after, to fall within the consultation period on the relevant Modification Proposals.

Transco can confirm that it is not envisaged that there would be any further delay to the auction past 31 August 2000 and that under the Urgent procedures proposed for Modification Proposals 0408, 0409 and 0410 an Ofgem decision is anticipated by 21 July 2000. If this is received, a months notice of the changes to the auction structure would be given prior to the start of the auction.

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

Implementation is not required to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement furnished by Transco under Standard Condition 3(1) of the Licence

Implementation is not required as a consequence of any proposed change in the methodology established under Standard Condition 3(5) of the statement furnished by Transco under Standard Condition 3(1) of the Licence:

14. Programme of works required as a consequence of implementing the Modification Proposal

There are no modifications required to the UK-Link Systems and therefore a programme of works would not be required as a result of implementing the Modification Proposal.

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

Transco recommends that this Modification Proposal is implemented by 1 July 2000.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal is implemented.

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 Director General in accordance with this report.

19. Text

Section B 2.3.2.(a)

Replace "...31st July..." with "...31st August..."

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date:

Director General of Gas Supply Response:

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0399**, version **3.0** dated **26/06/2000**) be made as a modification to the Network Code.

Signed for and on Behalf of the Director General of Gas Supply.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **3.0**.

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 Director General of Gas Supply ("the Director") 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 Director 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 appropriateprovided that if the Director does not so approve the Agreement then Clause 3 shall apply.
2. If the Director 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 Director 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 Director 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 Director 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.