

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0394
"OCM Market Liberalisation"
Version 12.0

Date: 18/04/2000

Proposed Implementation Date:

Urgency: Non-Urgent

Area of Network Code Concerned

Section D. Annex D-1

Nature of Proposal

The arrangements introduced by Network Code Modification Proposal 0313 defined that trades completed through the On The Day Commodity Market (OCM) could only be registered with Transco for Trade Nomination Quantities expressed as multiples of 100,000 kWh blocks.

This Modification Proposal seeks to enable commodity markets to register trades for Trade Nomination Quantities expressed as multiples of 1 kWh blocks.

Such a change would enable the Market Operator to offer greater choice to its customers. For example, the Market Operator might choose to offer an option to trade in block sizes based on a multiple of therms to complement the current service based on multiples of 100,000 kWh.

Justification

EnMo, the present Market Operator has requested a facility which would enable trading in other quantities. Enabling the Market Operator to provide greater choice in respect of traded quantities may increase the depth of bids and offers and may decrease the price spread between such bids and offers. This may further the relevant objectives by potentially increasing the efficient and economic operation of the System by encouraging both individual Shipper balancing and Transco's system balancing at lower cost.

Consequence of not making this change

Market participants will only have the facility to trade in multiples of 100,000 kWh blocks. This could limit growth if Shippers choose to transact in other gas markets because of their preference to trade in quantities not currently possible under present Market Operator and Network Code arrangements.

Purpose of Proposal

Implementation of this Modification Proposal would enable a Market Operator to offer greater choice to their subscribers in respect of the quantities in which they can trade. In particular, this would enable operators to offer a products based on multiples of therms which would enable trading in quantities which reflect those normally used in the Over-The-Counter (OTC) market.

Facilitating greater choice in respect of traded quantities may increase liquidity within the current OCM by increasing the number of trading participants, the depth of the market, the number of trades and aggregate transaction quantities whilst lowering the price spread between bids and offers.

Proposer's Representative

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