

SHIPPER MODIFICATION PROPOSAL

SHORT TITLE: Removal of Interruptible Withdrawal Limitation

DATE: Nov. 5, 1996

REQUESTED URGENCY: Urgent

NATURE OF PROPOSAL:

The Network Code currently restricts the withdrawal of interruptible gas from storage, even when there is no restriction on the physical ability to do so. It is proposed that this artificial restriction be eliminated so that the only restrictions on the flow of interruptible gas are physical limitations.

REASON FOR URGENCY:

It is possible that a situation could arise this winter in which the system is capable of delivering enough gas to meet demand, but that an artificial supply shortfall could be created by unnecessarily limiting storage withdrawals. This would result in unnecessary purchases by Transco from the flexibility market and/or the unnecessary withdrawal of gas from storage by the top-up manager at significant expense to the shipping community. Swift implementation of this proposal will reduce the probability that the shipping community will incur unnecessary costs this winter.

JUSTIFICATION:

The value of firm storage relative to interruptible storage should be set by physical constraints, not by code limitations. The current situation artificially inflates the value of firm storage at the expense of the entire shipping community, which is subject to SAP as set by the flexibility market and to significantly expensive top-up gas. In the event of high system demand, it is counter-productive to restrict supply.

CONSEQUENCE OF NOT MAKING THE CHANGE:

Supply will be artificially restricted in times of high demand, resulting in an increased probability that Transco will have to purchase flexibility gas at a time when supply is not readily available for placement on flexibility, resulting in potentially very high flexibility prices. The probability that the top-up manager will have to draw down top-up storage will be increased.

CONSEQUENCE OF MAKING THE CHANGE:

Shippers will be better able to provide supply to meet system demand. Transco should less frequently need to buy gas from the flexibility market. Top-up storage will be less likely to be used.

AREA OF NETWORK CODE AFFECTED:

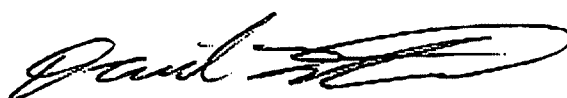
Page R-38, section 6.4.7

SPECIFIC PROPOSAL:

Delete Section R.6.4.7 of the network code.

IDENTITY OF PROPOSER'S REPRESENTATIVE:

Proposer: David Forster

Signature: 

Position: Manager, Trading and Market Services
Company: PanEnergy Services UK, Limited

Reference No. 0099.

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