

DEVELOPMENT WORKGROUP REPORT

MODIFICATION NUMBER 0077

Change Charging Methodology for Hornsea Price Tender

1. Extent to which the modification would better facilitate the relevant objectives;

TransCo should not discriminate between customers.

2. The implications for TransCo of implementing the Modification Proposal , including:

2.1 implications for the operation of System and any BG Storage Facility;

None

2.2 development and capital cost and operating cost implications;

None

2.3 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.

3. 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;

None identified

4. The development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers;

None.

5. The implications of implementing the modification for Relevant Shippers,

5.1 Administrative and operational implications

5.2 Development and Capital cost and operating cost implications

All successful bidders in the price tender process will pay the same price for the service they have tendered for.

5.3 consequences (if any) of implementing the Modification Proposal on the level of contractual risk of Relevant Shippers under the Network Code as modified by the proposal.

None Identified

6. The implications of implementing of the modification for terminal operators, suppliers, producers and, any Non-Network Code Party;

None that workgroup is aware of.

7. Consequences on the legislative and regulatory obligations and contractual relationships of TransCo and each Relevant Shipper and Non-Network Code Party (if any), of the implementation of the Modification Proposal;

None that workgroup is aware of.

8. Analysis of any advantages or disadvantages of the implementation of the Modification Proposal;

8.1 Advantages:

All successful bidders will pay the same price for the service they have tendered for.

8.2 Disadvantages:

The overriding view of shippers at the workgroup was that they saw little justification for the proposed modification. They were satisfied with the price tender process as written in the Network Code. They see price tendering, where products or services are sold to the highest bidder at the price bid, as a standard commercial practice.

Other concerns were:

8.2.1 The modification proposal does not include any change to the treatment of previous year users with preemption rights. Some shippers felt that this created opportunities for gaming.

One solution suggested was that the price at which services are offered to previous year users be capped. A cap of 2% above the lowest successful bid price was suggested.

8.2.2 It was further suggested that the objective of ensuring that all shippers paid the same price for the same service could also be met by allocating capacity on a non price invitation basis (as Section R3.4 of Network Code)

9. Summary of the representations;

None at the time of writing.

Irene Davies
Workgroup Chairman
22nd October 1996