

MODIFICATION PROPOSAL:

Modification Number 0104

SHORT TITLE: Bridging NTS exit capacity to support supply point transfers

DATE: 18 November 1996

PROPOSED IMPLEMENTATION DATE: 25th November 1996 at the latest

URGENCY: Urgent

JUSTIFICATION: Where a DM supply point is due to transfer to a new shipper and the transfer is delayed, the outgoing shipper may have insufficient NTS Exit Capacity to bridge the period of the delay. There are two factors which adversely affect market liquidity and prevent a shipper from trading to obtain short term capacity :

- i) Lack of DM sites: This is because NTS Exit Capacity for NDM supply points is provided automatically by the system and only firm DM supply points need the shipper to book capacity directly. Until this month, only large firm supply points with annual quantities above 58,600,000 kWh (2,000,000 therms) were categorised as DM and these number about 145. However, between now and February 1997, shippers can choose to convert firm sites with annual quantities down to 11,720,000 kWh (400,000 therms) and this will mean that up to about 1,350 more supply points could be reclassified as DM. Finally, the mandatory conversion programme is expected to proceed in October 1997 and this will convert any remaining NDM supply points to DM down to the threshold level (this threshold is 2,196,000 kWh (75,000 therms) but is subject to review as part of Review Group 0056, and the new level is not expected to be below 5,860,000 kWh (200,000 therms). In summary, although liquidity is reputedly quite poor at present, the extension of the DM regime between now and October 1997 is expected to alleviate this problem.
- ii) Trading at times of peak demand: In summer most shippers to DM supply points will have substantial quantities of underutilised capacity and will be incentivised to trade this surplus away. In winter, however, shippers will not normally have more DM Exit Capacity than they need and liquidity in this period may well continue to be poor even after the DM regime has been extended.

It follows there is a requirement for short tranches of DM Exit Capacity in winter and, possibly, shoulder months. The availability of this capacity needs to be restricted to situations where a shipper is losing a supply point otherwise it would provide a means to profile capacity requirements.

In summer 1997, market liquidity may still be rather poor and, to that extent, there may also be a requirement for a short term NTS Exit Capacity summer service in 1997. This could be available as an "on demand" service.

CONSEQUENCE OF NOT MAKING THIS CHANGE: The transfer of DM supply points between shippers may be frustrated by a lack of liquidity in the traded capacity market. This is undesirable as it restricts competition and may result in exceptional costs borne by the shipper or end user.

AREA OF NETWORK CODE CONCERNED: Transition Document

NATURE OF PROPOSAL:

1 A Winter Bridging Service for NTS Exit Capacity:

A shipper notifies TransCo that its NTS Exit Capacity booked in respect of a DM Supply Point Component is about to expire and it requires NTS exit bridging capacity. The period of notification will be a maximum of 12 and a minimum of 5 (2 for the first week of the service) Business Days prior to expiry of the Exit Capacity.

To apply for this service the shipper warrants that:

- i) it has held the supply point continuously for at least the preceding 6 months and,
- ii) its contract to ship to the supply point is about to expire but it has not been notified by TransCo that a confirmation has been submitted and,
- iii) its customer has warranted that it has signed a new supply contract with a different supplier.

The bridging capacity will be booked by TransCo and last for a period of one calendar month. The service will be available during the period 1st December 1996 to 30th April 1997 inclusive. The quantity of bridging capacity booked will be the amount notified by the shipper up to a maximum of the DM supply point component SOQ.

The shipper will give TransCo 5 business days notice of the revised transfer date. TransCo may, if it elects, cancel any outstanding capacity with effect from the revised transfer date.

If the supply point is not due to be withdrawn by the end of the bridging period and the shipper has not booked NTS Exit Capacity in an amount of at least bridging capacity, in the relevant exit zone, then TransCo will book NTS Exit Capacity in an amount equal to 125% of the bridging capacity for a 12 month period with effect from the end of the bridging period.

2 An NTS Exit Capacity Summer Service for 1997

A User may request an amount of NTS Exit Capacity for a to commence not earlier than 1st May and terminate not later than 31st October. The capacity booking transactions will be made by Fax, in accordance with the time-scale detailed in Section B of the Principal Document.

All capacity booked through these services will charged at the normal rate.

PROPOSED TEXT

Transition Document, Part II, Paragraph 8

Add the following under Section B:

- "B3.2 (1) The Registered User of a DM Supply Point Component may, where the conditions at paragraph (2) are satisfied, apply (by facsimile) to TransCo to be registered as holding DM NTS Exit Capacity at the relevant NTS Exit Point, for the bridging capacity period (in accordance with paragraph (5)(a)), in an amount not exceeding the User's Registered Supply Point Capacity at the DM Supply Point Component, with effect from a date (the "relevant date", whether or not an Eligible Capacity Registration Date) which falls:
- (i) between 1st December and 30th April in the Gas Year 1996/97, and
 - (ii) not more than 12 nor less than 5 (or for applications made before 6th December 1996, 2) Business Days after the User's application.
- (2) The conditions referred to in paragraph (1) are:
- (a) that at the date of the application the User is, and for a period of not less than 6 months has been, the Registered User of the DM Supply Point Component;
 - (b) that at the relevant date the contract(s) made by the User for the sale or supply of gas offtaken from the System at the DM Supply Point Component will have expired, or after subsisting for a period of not less than 6 months will have been terminated other than upon the breach of any party thereto (provided that this condition shall not fail to be satisfied by reason only of any renewal, extension or continuation of such contract agreed by the User solely as a result of the circumstances in paragraphs (c) and (d));

- (c) that the consumer, or where the User is not the supplier, the supplier, has warranted to the User that it has, not less than 15 Business Days before the relevant date, entered into a contract with a person other than the User for the sale or supply of gas offtaken from the System at the Supply Meter Points comprised within the DM Supply Point Component with effect not later than the relevant date;
 - (d) that at the date of the User's application TransCo has not notified the User pursuant to Section G2.8.1(a) of the submission of a Supply Point Confirmation in relation to any Supply Meter Point comprised in the DM Supply Point Component;
 - (e) that the User has not previously submitted such an application in relation to the DM Supply Point Component.
- (3) By submitting an application pursuant to paragraph (1) the User warrants to TransCo that each of the conditions at paragraph (2) is satisfied (and nothing herein shall require TransCo to verify whether such conditions are satisfied).
- (4) Sections B3.2.2(a), B3.2.3, B3.2.4 (except in relation to Section B3.2.2(b)) and B3.2.6 (disregarding the reference therein to Section B3.2.5) shall apply in respect of an application under paragraph (1).
- (5) Where a User's application in accordance with paragraph (1) is approved:
- (a) the User will be registered as holding DM NTS Exit Capacity, in the amount applied for, a period of one month (the "bridging capacity period") from the relevant date, subject to paragraph (6)(c);
 - (b) such registration will not be counted for the purposes of Section B3.2.9.
- (6) Where a User is registered as holding DM NTS Exit Capacity pursuant to an application under paragraph (1);
- (a) the User shall not submit a Supply Point Objection in respect of any Supply Point Confirmation submitted in respect of a Proposed Supply Point including any Supply meter Point comprised in the DM Supply Point Component;
 - (b) the User shall, not less than 5 Business Days before ceasing to be the Registered User of the DM Supply Point Component, notify TransCo of such cessation, citing this paragraph (b);
 - (c) where (during the bridging capacity period) the User ceases to be the Registered User of the DM Supply Point Component, if TransCo shall

so elect (but not otherwise), the User will thereupon cease to be registered as holding such DM NTS Exit Capacity;

- (d) if the User has not ceased (other than pursuant to a Supply Point Reconfirmation) to be the Registered User of the DM Supply Point Component by the expiry of the bridging capacity period, the User will automatically be registered as holding DM NTS Exit Capacity (at the relevant NTS Exit Point) in an amount equal to 125% of:
 - (i) the amount of DM NTS Exit Capacity applied for under paragraph (1), or
 - (ii) where the User's Registered NTS Exit Capacity at the relevant NTS Exit Point was increased with effect from any Day in the capacity bridging period, the amount (if any) by which the amount of such increase is less than the amount of DM NTS Exit capacity applied for under paragraph (1);

for a further period of 12 months commencing on the expiry of the bridging capacity period (but this registration will not be counted for the purposes of Section B3.2.9).

- (7) A User may, in relation to an application (in accordance with Section B3.2 [but made by facsimile] for DM NTS Exit Capacity from an Eligible Capacity Registration Date between 1st May and 31st October 1997, specify a date not later than 31st October 1997 on which the User wishes the registration to expire.
- (8) Where pursuant to an application under paragraph (7) a User is registered as holding DM NTS Exit Capacity:
 - (i) the registration will not be counted for the purposes of Section B3.2.9;
 - (ii) the capacity period will (notwithstanding Section B3.2.9) be the period from the registration date until the expiry date specified by the User.

IDENTITY OF PROPOSER'S REPRESENTATIVE: A. G. Raper

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SIGNATURE :
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MODIFICATION PANEL SECRETARY'S USE ONLY

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