

DRAFT TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0255

SHORT TITLE: Revision of booking rules and overrun regime for DM NTS exit capacity

DATE: 10/08/98 **PROPOSED IMPLEMENTATION DATE:** October 7th 1998

URGENCY: Non Urgent

JUSTIFICATION:

Unlike NDM sites where Transco books NTS exit capacity on a shippers behalf, shippers are currently obliged to book an appropriate amount of NTS exit capacity for their DM Supply Points in each exit zone. An overrun mechanism provides an incentive for shippers to accurately assess their requirements. During the development of the Code it was agreed that all firm Supply Points offtaking in excess of 75,000 therms per annum would ultimately be daily metered. This represents a large number of Supply Points and it is unlikely that all Supply Points within an exit zone would offtake their full SOQ on the same day. It was therefore agreed that shippers would book their own exit capacity and therefore have the opportunity to take account of this diversity of usage and book less than the aggregate total and reduce the overall cost of transportation. In addition a "flying wedge " rule was introduced whereby the end date of a shippers capacity booking is automatically extended to the end date of the most recently booked tranche. Whilst this created some imbalance between site ownership and capacity holding, the "flying wedge" principle was felt to be an administrative simplification in the context of a large number of DM Supply Points.

Modification 133 stopped the mandatory conversion of all sites above this threshold converting to DM status. As a result, the number of firm DM Supply Points is relatively low (approx. 185) and in view of the associated costs it is unlikely to increase significantly. Shippers typically only have a few DM Supply Points in each exit zone and the benefits of usage diversity are limited. This limited benefit is greatly outweighed by the administrative burden of booking and the "flying wedge" has given rise to a significant mismatch of NTS exit capacity and Supply Point ownership. In this area the current regime arguably falls foul of Transco's requirement for cost reflectivity.

In the case of NTS Supply Points subject to an allocation arrangement, current booking rules mean that if a consumer wishes to use a new supply of gas, a shipper who no longer supplies a site retains a contractual link with the site via the capacity booking. The only option currently available being to trade the capacity. This ongoing contractual involvement with attendant risk has been cited as a reason for shippers being unwilling to enter into Shared Supply Meter Point arrangements at NTS sites.

Under this proposal a shippers holding of NTS exit capacity will more accurately reflect there Supply Point ownership and in the case of an NTS Supply Point subject to sharing arrangements Shippers will be able to increase or decrease their holding of NTS exit capacity (subject to no aggregate reduction during a twelve month period) to reflect their prevailing contractual relationship with the consumer.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

Shippers will continue to face unnecessary costs as a result of DM NTS exit capacity holding in excess of their Supply Point requirements and shippers will remain reluctant to agree to Shared Supply Meter Point arrangements at NTS Supply Points as there is no mechanism for them to effectively withdraw from the site or reduce their individual capacity entitlement.

AREA OF NETWORK CODE CONCERNED:

Section B 3 - NTS Exit Capacity
Section B 5 - Capacity Transfer
Section G 3 - Supply Point Withdrawal & Isolation
Section J 5 - Connected System Exit Points
Transition Document part II

NATURE OF PROPOSAL:

Transco will aggregate the SOQ's of a shippers Supply Points within an exit zone at the beginning of each month and will book an equivalent amount of DM NTS exit capacity for that shipper effective from the 8th of the month. This activity will take place every month and the previous months booking will be end dated and replaced with the revised figure. In respect of LDZ Supply Points NTS exit overruns will no longer apply as shippers no longer have control over the booked amount. Supply Point ratchets will remain and the ratchet effect on Supply Point capacity will lead to an increase in booked exit capacity in the following month. Supply Point ratchets are required to provide an incentive for shippers to accurately assess their peak requirements. For NTS Supply Points Transco will apply the same principle of booking NTS exit capacity equivalent to a Shippers nominated SOQ. However as there is no applicable Supply Point ratchet for an NTS Supply Point, the existing overrun provision will remain to incentivise accurate nomination. In circumstances where an approved increase in SOQ takes place within month, an overrun will only apply if the overrun exceeded the subsequently revised SOQ or if the overrun occurred prior to the approval date of the new SOQ. The arrangements for NTS CSEPs will remain unchanged.

For the purposes of the Code, shippers will be deemed to have applied for capacity by this mechanism. This is necessary to ensure that shippers and consumers are able to comply with existing ARCAs which require capacity to be booked in relation to a Supply Point.

PURPOSE OF PROPOSAL:

The purpose of this proposal is to ensure that a shippers holding of DM NTS exit capacity more accurately matches a shippers Supply Point commitment and that shippers are not faced with overrun risk from administrative error incurred through a process which is acknowledged as having little benefit in the light of Modification 133. For NTS Supply Points subject to sharing arrangements, this proposal creates consistency with the principles applied to LDZ sites whereby a shipper is no longer liable for capacity charges when their involvement in the site reduces or ends, provided that a new shipper takes up the outstanding capacity. It also ensures that a new shipper is obliged to take on the relevant NTS exit capacity which removes a possible barrier for a shipper allowing consenting sharing arrangements to be instigated at a site and hence better facilitates competition in supply.

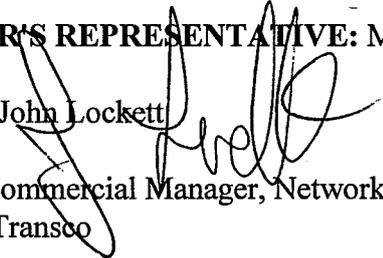
IDENTITY OF PROPOSER'S REPRESENTATIVE: Mark Ripley

PROPOSER (please print): John Lockett

SIGNATURE:

POSITION:

COMPANY:


Commercial Manager, Network Code
Transco

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