

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0260

SHORT TITLE: Urgent modifications to facilitate CSEP Ancillary Agreements and Ship Allocation Agent

DATE: 13/08/98 **PROPOSED IMPLEMENTATION**
DATE: 24 August 1998

URGENCY: URGENT

JUSTIFICATION:

The Network Code needs to be modified :

(a) To allow an Ancillary Agreement with condition 7(4) approval, at a System Entry Point. This is required for the UK-Continent interconnector since the CSEP Ancillary Agreement addresses the issue of Transco receiving and allocating gas to nominal gas entry and exit quantities, this is instead of the normal use of the metered measurement.

(b) To allow an Ancillary Agreement (rather than the Network Code itself) to provide for condition 7(4) approval. This is required to ensure that all shippers offtaking at the Interconnectors (Moffat and Bacton) enter in to the relevant agency agreements. Transco will designate an agency agreement only once we have condition 7(4) approval from Ofgas, thereby, ensuring that Transco is not exposed to risk of criticism for forcing shippers in to a third party agreement. Shippers have requested Transco designate these agency agreements.

The modification is required as URGENT, because of the requirement to finalise, receive Ofgas approval and sign the CSEP Ancillary Agreement on either 24th or 25th August 1998.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

1. The CSEP Ancillary Agreement for the UK-Continent Interconnector would not be workable. The agreement could not be signed for 1 October 1998.
2. The shippers allocation agents at the UK-Continent and GB-Ireland Interconnectors could not be made mandatory by Transco. Without their mandatory nature, shippers would not sign the agency agreements and no nominations matching and allocations agents would exist.

In the absence of an agent, the impact of a nomination mistake by one party would affect all other shippers. In addition the shippers would be reliant upon the less sophisticated default allocation arrangements.

AREA OF NETWORK CODE CONCERNED:

Section I, new clauses 1.7.1 and 1.7.2. to be introduced on Page I-4 (Version 2.00).

Section W, new clause 2.8.6. To be introduced on page W-8 (Version 2.00).

NATURE OF PROPOSAL:**Section I****"1.7 Ancillary Agreement**

1.7.1. Transco may require, as a condition of a User's holding System Entry Capacity at an Aggregate System Entry Point or making Input Nominations or submitting Entry Allocation Statements in respect of a System Entry Point, that the User enter into or accede to an Ancillary Agreement in a form designated by Transco with Condition 7(4) Approval of the Director setting out terms (in addition to or by way of variation of the terms of the Code) in relation to the use of the System for the purposes of delivery of gas at that System Entry Point.

1.7.2 An Ancillary Agreement designated pursuant to paragraph 1.7.1 shall be deemed to be a part of the Code for purposes of enabling such Agreement to be modified pursuant to the Modification Rules."

Section W

"2.8.6 An Ancillary Agreement may, with Condition 7(4) Approval of the Director, provide for Transco to take a particular step or action with Condition 7(4) Approval, or in the absence of Condition 7(4) Disapproval, of the Director; and any such provision of an Ancillary Agreement is hereby deemed to be a provision of (and shall be treated as being incorporated in) the Code."

PURPOSE OF PROPOSAL:

The proposal allows the UK-Continent Interconnector to offtake gas from the Transco systems.

The proposal also allows the Code to support the competition in gas supply. By removing the risk of mistakes by one party impacting other shippers and users, and by ensuring accurate title to gas, the appointment of an agent will increase the number of parties willing to supply gas at these offtakes and hence reduce the gas cost to end consumers.

IDENTITY OF PROPOSER'S REPRESENTATIVE: JOHN BURLEY

PROPOSER (please print): JOHN LOCKETT

SIGNATURE: 

POSITION: Manager Network Code Development

COMPANY: Transco

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number: 0260

Date Received: 13/8/98.