

APPLICATION FOR CONSENT TO MODIFY THE NETWORK CODE

Extension to Modification 0265a - Short Term Measures to Alleviate Constraint Issues

1. Transco Proposal

Modification 0265a was raised by Transco following industry consultation and consisted of a package of measures; flexibility actions to be delayed until physical flows indicate they are necessary, (subject to resolution of health and safety issues), the price of flexibility bids accepted to resolve constraints was limited and cashout price determination amended. As proposed, the modification was implemented by Ofgas on a short term basis until 31 October 1998, at which time the continued appropriateness of the modification was to be reviewed.

Transco recommends that the modification is extended until 5th November 1998 because whilst the construction programme continues to impact on St Fergus, allowing Modification 0265a to expire may mean a return to the neutrality costs previously incurred. This extension will also allow consultation on a parallel modification to extend Modification 0265a for a longer period.

2. Nature of Modification

TRANSITION DOCUMENT PART II, PARAGRAPH 8

SECTION D: OPERATIONAL BALANCING AND FLEXIBILITY BIDDING

Add new paragraph 8.2.1 and renumber existing paragraphs 8.2.1 to 8.2.3 as 8.2.2 to 8.2.4:

"8.2.1 D1.5 Until 5th November 1998, for the purposes of Section D1.5, Transco will not be required to accept a Flexibility Bid in respect of which the Bid Price is negative."

SECTION F.. SYSTEM CLEARING, BALANCING CHARGES AND RECONCILIATION

Add new paragraph 8.4.2 and renumber existing paragraph 8.4.3 as 8.4.4:

"8.4.2 F1.2.1 (1) Until 5th November 1998,
 (a) Primary Excluded Bids will be excluded for the purposes of determining the System Marginal Sell Price, and

- (b) no account shall be taken of any Excluded Flexibility Quantity or any Excluded Flexibility Charge, for the purposes of calculating the System Average Price;

but Secondary Excluded Bids will (for the avoidance of doubt) be included in determining the System Marginal Buy Price.

- (2) For the purposes of paragraph (1):

- (a) **"Primary Excluded Bids"** are the Flexibility Bids for System Sells accepted pursuant to Section D1.5 for the purposes of reducing gas flows at a System Entry Point which is affected by a Transportation Constraint;

- (b) **"Secondary Excluded Bids"** are the Flexibility Bids for System Buys which are excluded, in relation to any Relevant Primary Excluded Bids, in accordance with the following rules, which shall be applied in the chronological order in which Relevant Primary Excluded Bids were accepted:

- (i) all Relevant Accepted Buy Bids shall be ranked in order of Accepted Price (the highest ranked first, and bids of equal Accepted Price ranked in chronological order of acceptance);

- (ii) such Relevant Accepted Buy Bids shall be excluded (in the order ranked) until:

- (1) the aggregate of the Flexibility Quantities under the bids so excluded is equal to or first exceeds the Flexibility Quantity(ies) under the Relevant Primary Excluded Bids (the amount of any such excess, the **"relevant excess"**), or

- (2) all such Relevant Accepted Buy Bids have been excluded, if the aggregate of the Flexibility Quantities thereunder does not exceed Flexibility Quantity(ies) under the Relevant Primary Excluded Bids;

- (iii) unless there is no relevant excess, the last Relevant Accepted Buy Bid to be excluded

under paragraph (ii)(1) shall be deemed, for the purposes of the further application of this paragraph 8.4.2, to be two Relevant Accepted Buy Bids, one (which shall not be treated as so excluded) for a Flexibility Quantity equal to the relevant excess, and one (which shall be treated as so excluded) for a Flexibility Quantity equal to the balance of the whole Flexibility Quantity;

(iv) for the purposes of this paragraph (b), in relation to any Relevant Excluded Primary Bids, a **"Relevant Accepted Buy Bid"** is a Flexibility Bid for a System Buy which:

- (1) was accepted during the period commencing with acceptance of the Relevant Primary Excluded Bids and expiring on the expiry of the first full hour (ending on the hour) to expire thereafter, and
 - (2) was not excluded pursuant to paragraph (ii) in relation to any earlier accepted Relevant Excluded Primary Bids;
- (c) **"Relevant Primary Excluded Bids"** means one Primary Excluded Bid or several Primary Excluded Bids which were accepted at the same time;
- (d) **"Excluded Flexibility Bids"** are Primary Excluded Bids and Secondary Excluded Bids;
- (e) an **"Excluded Flexibility Quantity"** is the Flexibility Quantity in respect of an Excluded Flexibility Bid;
- (f) an **"Excluded Flexibility Charge"** is the Excluded Flexibility Quantity in respect of an Excluded Flexibility Bid multiplied by the Accepted Price,"

3. Transco Application

Transco now seeks the consent of the Director General to modify the Network Code in accordance with the above proposal.

Signed for and on behalf of BG Transco

Signature:

Date: 30 October 1998

Name: Tim Davis

Position: Manager, Network Code

4. Director General of Gas Supply Response

In accordance with Condition 7 (8) (b) of the Standard of Public Gas Transporters' Licences dated 21st February 1996 I hereby consent to the above modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply

Signature:

Date:

Name: Shaun Day

Position: Head of Transportation Pricing