

Urgent Modification Proposal No 265A

Title : Short Term Measures to Alleviate Constraint Issues

Date: 17th September 1998
Proposed Implementation Date: 21st September or as soon as practical if later.
Urgency: Alternate to Urgent Mod Proposal 265

Justification

Since the 11th June 1998 it has been necessary to take flexibility System Sells at St Fergus to resolve transportation constraints. The cost associated with resolving the constraints is now assessed to be approaching £9m. This cost effectively constitutes a redistribution of monies between different system users; there will have been winners and losers. The extent of the costs has increased and this might be expected to continue.

Transco conducted a consultation on possible options to address the constraint issue which closed on Wednesday 16th September at 4pm. The results were discussed at an open industry meeting earlier today.

The majority view of the meeting confirmed the views expressed in the consultation that it is appropriate to make short term changes. However the exact nature of a final proposal did not have unanimous support. The following were favoured as a package:

Option B - Delay Flexibility actions until physical flows indicate they are necessary

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Option C - Limit the price of bids that will be accepted to resolve constraints

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Option D - Amendment cashout price determination to remove asymmetry.

It was recognised that these should be implemented on a temporary basis until more appropriate longer term measures can be considered and implemented.

In the meantime the majority view was also that Transco should furnish whatever information it could provide to Ofgas so that Ofgas could take appropriate action if Ofgas considered that "gaming" was taking place.

Modification Proposal 265 addressed only one aspect of the issue by addressing only cashout price determination. This alternate, Mod 265A, adds in two other components; the timing of possible actions and the collaring of flexibility bid prices accepted to address transportation constraints.

The community was divided about which sub-option of Option D to use. It was acknowledged that Modification 265 would exclude associated System Buy "Buy Backs" whereas this alternate should include the option to include all System Sells (including those used to resolve constraints) for cashout price determination.

It is anticipated that respondents to this alternate Mod will indicate their views on all three components of this proposal and support for Mod 265 will be taken as a preference for that approach in respect of cashout price determination rather than that proposed in this alternate Modification.

Consequence of not making this change

Constraint costs can be expected to continue to increase and the impact of constraints may distort gas futures prices.

Area of Network Code Concerned

Option B - "Delay flexibility actions until physical flows indicate they are necessary"

Section D1.5. Transportation Constraints

Option C - "Limit the price of bids that will be accepted to resolve constraints"

Section D 3.2 Bid Evaluation and Selection

Option D - "Amend cashout price determination to remove asymmetry"

Section F 1.2 System Prices

Nature of Proposal

Option B - "Delay flexibility actions until physical flows indicate they are necessary"

In Section D1.5. Transportation Constraints; defer first flexibility action decision for a gas day until after 06:00 on that gas day.

Additionally this would require amendment to Part E - Operational Guidelines Section "Before the Day". The amendment would delete, from the Aims section, the words:

"To address constraints where deliveries are forecast to exceed available capacity at the location concerned".

Option C - "Limit the price of bids that will be accepted to resolve constraints"

In Section D 3.2 Bid Evaluation and Selection; additional drafting will be necessary to ensure that negatively priced bids are not accepted to resolve a constraint.

Option D - "Amend cashout price determination to remove asymmetry"

In Section F 1.2 System Prices; delete the text " excluding Flexibility Bid 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". For clarity it may be appropriate to delete "or none other than one excluded for the purposes of paragraph 1.2.1" from 1.2.2.

Given the desire for a temporary amendment it is proposed that the amendments might be implemented until 31st October 1998. This will give 5 weeks to assess the impact of the changes and determine if it is appropriate to extend the proposals.

Purpose of Proposal

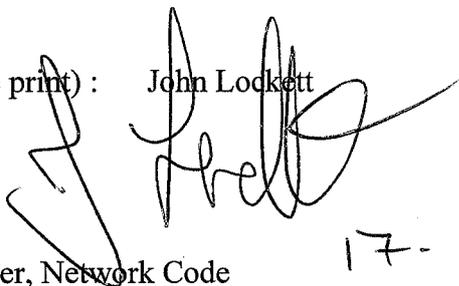
To endeavour to control the escalating costs the community are facing within the energy balancing regime.

Identity of Proposer's Representative:

Nigel Sisman

Proposer (please print) : John Lockett

Signature:



17-9-98

Position: Manager, Network Code

Company: Transco