

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 268

SHORT TITLE: AMENDMENT TO DEFAULT ALLOCATION RULES OF
UK-CONTINENT & GB-IRELAND CSEP ANCILLARY
AGREEMENTS

DATE: 17/9/98 **PROPOSED IMPLEMENTATION** To be concluded
DATE: following
consultation
responses

URGENCY: Urgent

JUSTIFICATION:

As part of the Ofgas approval for the CSEP Ancillary Agreements for the UK-Continent and GB-Ireland CSEP Ancillary Agreements, Ofgas required Transco to raise this modification.

A number of shippers are concerned that under specific circumstances the current default arrangements do not deliver the required allocation, nor do they reflect the service that they believed they were being provided with when they entered in to ARCA agreements.

A number of shippers have requested that the modification be raised as Urgent, since the current rules expose them to unacceptable risks.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

In the event that the Bacton allocation agent is not appointed or fails to provide an exit allocation on a day when Transco issues a curtailment notice (which is not defined in the CSEP Ancillary Agreement as an Interruption Notice), then a number of shippers (principally those with firm capacity rights) believe that they are exposed to unacceptable risks arising from the default gas allocation.

AREA OF NETWORK CODE CONCERNED:

UK-Continent CSEP Ancillary Agreement Clauses 6.6-6.9 (pages 6-7) and Schedule 2 Section E1.9 (1) (b) (ii) (page 30).

GB-Ireland CSEP Ancillary Agreement Clauses 6.6 -6.9 (pages 6-7) and Schedule 2 Section E1.9 (1) (b) (ii) (page 29).

NATURE OF PROPOSAL:

The proposal is to change the default allocation rules for days when Transco issue a Curtailment Notice for any of the reasons under Clause 5.6 of Annex B-4 of the Interconnection Agreement (Bacton Interconnector) or Clause 5.5 of the Connected Systems

Agreement (Moffat Interconnector).

The contract currently allows for a different default allocation to be applied on days when an Interruption Notice is given compared to days when Transco issue a Curtailment Notice for reasons other than Interruption (as defined in the CSEP Ancillary Agreement).

The proposal is to amend the default allocation to make the allocation consistent for when a Curtailment Notice is or is not an Interruption Notice as defined under the CSEP Ancillary Agreement. In addition the proposal is also to amend the default allocation to reflect the view expressed by Ofgas in the letter (dated 17/8/98) from Dr Marshall to Nigel Shaw ("Default allocation rules at the interconnectors"). The following extract from the letter is provided to outline the view expressed by Ofgas:

"Firm capacity at interconnectors is booked on the basis of a shippers' peak daily requirements (known as the SOQ). At other NTS offtakes, shippers also have to declare an instantaneous peak offtake rate (SHQ) which, when expressed hourly, should not exceed 1/24th of the SOQ. However, at interconnectors, the SHQ is generated in aggregate, and is not applied at an individual level to each shipper.

Ofgas believes that at interconnectors each shipper booking an SOQ should also be constrained such that its 'deemed SHQ' is 1/24th of its SOQ. In such a situation, a firm shipper should be entitled to flow each hour up to its firm 'deemed SHQ'. To the extent that firm shippers are within their 'deemed SHQ', they should be allocated gas first. To the extent that firm shippers have nominated to flow above their 1/24th entitlement, they should be guaranteed only their firm entitlement; any allocation above that firm entitlement should be treated equivalent to other shippers without a firm entitlement - that is interruptible shippers and firm shippers exceeding their deemed SHQ.

Ofgas believes that a default allocation procedure should ensure that firm shipper could guarantee, by flowing at a constant rate at or below 1/24th of their SOQ, to deliver their planned end of day quantity. To the extent that a firm shipper chose not to flow at its 'deemed SHQ' in any hour, its ability to deliver a firm end of day quantity would also be reduced. Similarly, a firm shipper should also be constrained by the ramp rate and step change requirements in the appropriate NExA."

The proposal is to amend the default allocation rules in Clause 6.6 to 6.9 of the relevant CSEP Ancillary Agreements. The change would reflect that the default allocation prior to a Curtailment Notice being issued would be pro-rata to the sum of the Firm and Interruptible Nominated Quantities applicable at the time. After the time of the Curtailment Notice being issued, the default allocation would allocate the offtaken quantity for the remainder of the day by applying the principles enshrined in clause 6.6 (b). This clause (6.6 (b)) would need to be amended to reflect that the CSEP Users's Firm Available Capacity is deemed to be 1/24th of the Firm Available Capacity times the number of hours left in the gas flow day. In the event that a Curtailment Notice was lifted during the day, then the firm first allocation would only apply for the period from the issue of the Curtailment Notice to the lifting of the curtailment.

It would also be necessary to amend clause 6.7 (Bacton) and 6.9 (Moffat) to reflect that clause 6.6 (b) applied to all instances when a Curtailment Notice is issued.

The implementation of this is currently being assessed. However, the actual implementation impacts can only be assessed once the modification is finalised. However, it is clear that the allocation process can not be automated at present and that a manual allocation is a very lengthy process. In recognition of this, and to prevent additional costs for Transco and the industry being incurred unnecessarily, it is proposed that the amended default would be applied by 19:00 on D+4. This ensures that significant resources are not diverted and costs incurred in calculating the default allocation when the agent may in fact be intending to provide an allocation for that day. The current rules require Transco to provide a default allocation on D+2 by 19:00, if the Bacton agent has not provided an allocation by 16:00 on D+2. However, in order to achieve the proposed default by 19:00 on D+2, it would be necessary for Transco to always start to calculate the default on D+1. Since all parties expect the agent to provide the allocations, this would be a waste of resources, since resources would have to be diverted away from other daily operations work or new resources employed. Therefore, it is proposed that on the days when a Curtailment Notice is issued, then the default of pro-rata to all nominations (firm and interruptible) would be applied by 19:00 on D+2 if no allocation from the agent has been received. If no allocation from the agent has been received by 16:00 on D+4, then Transco would apply the proposed default allocation by 19:00 on D+4.

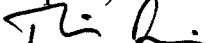
PURPOSE OF PROPOSAL:

The modification would reduce the risk for firm capacity holders caused by the current rules.

IDENTITY OF PROPOSER'S REPRESENTATIVE:

John Burley, Transco

PROPOSER (please print): Tim Davis

SIGNATURE: 

POSITION: Manager, Network Code Development

COMPANY: Transco

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number: 0268

Date Received: 17/9/98