

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 271

SHORT TITLE: Interim capacity entitlement arrangements at St.Fergus

DATE: 22/9/98 **PROPOSED IMPLEMENTATION DATE:** Immediate

URGENCY: Urgent

JUSTIFICATION:

This modification proposal is raised in response to industry concerns over the balancing costs currently being incurred as a result of transportation constraints which have necessitated flexibility System Sells at the St.Fergus terminal.

Under existing Code provisions, where nominations received exceed the physical capability of the terminal, Transco sell gas via the flexibility mechanism to nominating shippers at the terminal. The difference between this sell price and the value of gas elsewhere on the system generates costs which are then apportioned to shippers via the neutrality process. A view has been expressed that in the current specific circumstances, the current Network Code provisions may be giving rise to inappropriate costs.

This proposal provides a mechanism which may assist to reduce the cost of constraints and requires urgent consideration in view of the costs currently being incurred by the community as a result of constraints affecting St.Fergus.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

Shippers would remain at risk to costs over which they have no control.

AREA OF NETWORK CODE CONCERNED:

Transition Document Part II

Legal text attached

NATURE OF PROPOSAL:

Transco will on the preceding day assess the capability of the St.Fergus terminal. This capability will be compared to the aggregate of booked St.Fergus capacity to derive a scaling factor. This scaling factor will be applied to a shippers available System Entry Capacity on the gas day and an overrun will be charged for flows in excess of this scaled capacity availability. Transco will notify shippers of the applicable scaling factor by 14:30 hrs on the preceding day.

It is acknowledged that shippers may have to use the secondary capacity market at short notice to meet their entry capacity requirements. In order to mitigate shipper risk the overrun multiplier in respect of deliveries of gas to the system through the St.Fergus terminal will be reduced to 8 times the daily System Entry Capacity Charge

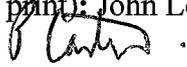
Where Transco are of the view that a system sell is required in respect of the St.Fergus terminal, System Sell bids at that entry zone with a price of less than 0 (zero) p/kWh will be rejected.

These measures will apply for a period of 28 days from the approval of the modification after which existing Code provisions will prevail.

PURPOSE OF PROPOSAL:

This proposal is intended to minimize the costs associated with constraints at St.Fergus and reduce the possibility of shippers who have no commercial activities at St.Fergus receiving smeared costs.

IDENTITY OF PROPOSER'S REPRESENTATIVE: Mark Ripley

PROPOSER (please print): John Lockett
SIGNATURE: 
POSITION: Manager, Network Code
COMPANY: Transco

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MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number:

Date Received:

Transition Document, Part II

10. Restricted Entry Capacity

10.1. For the purposes of this paragraph:

- (a) a "**Restricted System Capacity Point**" is an Aggregate System Entry Point specified in the table below;
- (b) the "**Restricted Capacity Factor**" in relation to a Restricted System Entry Point for any Day is the lesser of one (1) and:
 - (i) the quantity estimated, not later than 14:30 hours on the Preceding Day, by Transco (by reference to estimates of supply and demand and such other information as it judges relevant), as the aggregate maximum quantity of gas of which Transco will be able to accept delivery during the Gas Flow Day at the Restricted System Entry Point, divided by
 - (ii) the aggregate of the System Entry Capacity which Users are registered as holding at the Restricted System Entry Point on the Day;
- (c) a User's "**Available Restricted Capacity**" in relation to a Restricted System Entry Point for any Day is the User's Available System Entry Capacity multiplied by the Restricted Capacity Factor for that Day.

Table

Restricted System Entry Point	Relevant multiplier	Period (in Days)	Effective date
St Fergus	8	28	[Not specified]

10.2 This paragraph 10 shall apply in relation to each Restricted System entry Point for the period specified in the table in paragraph 10.1, commencing on the date specified in that table, or if no such date is specified commencing on the date of the Code Modification pursuant to which such System Entry Point was specified as a Restricted System Entry Point.

10.3 Transco will, not later than 14:30 hours on the Preceding Day, notify to all Users the Restricted Capacity Factor for each Restricted System Entry Point.

10.4 In relation to a Restricted System Entry Point, Sections B2.5 and 2.6 shall not apply, and in lieu thereof the following provisions shall apply:

- (1) If for any reason on any Day the quantity of gas delivered by a User to the System at a Restricted System Entry Point exceeds the User's Available Restricted Capacity, the User shall pay a charge ("**Restricted Entry Overrun Charge**") in respect of System Entry Capacity at the Restricted System Entry Point on that Day:
 - (2) The Restricted Entry Overrun Charge shall be calculated as the relevant multiplier (specified in the table in paragraph 10.1) multiplied by the Applicable Daily Rate of the System Entry Capacity Charge multiplied by the overrun quantity:
 - (3) For the purposes of paragraph (2), the overrun quantity is the amount, if any, by which sum of the User's UDQIs on the Day in respect of each System Entry Point comprised in the Restricted System Entry Point exceed the User's Available Restricted Capacity:
 - (4) The Restricted Entry Overrun Charge shall be invoiced and payable in accordance with Section S;
 - (5) The amount by which (1) the aggregate of the Restricted Entry Overrun Charges payable by a User in respect of a Restricted System Entry Point in relation to Days in a month exceeds (2) the amount, if any, which would have been payable in relation to that month by the User under Sections B2.5 and B2.6 in respect of that Restricted System Entry Point, shall be additional Monthly Adjustment Neutrality. Revenue is relation to that month for the purposes of Section F4.5.3(b)(iv).
- 10.5 For the purposes of Section B2.2.5, the time by which an application for System Entry Capacity at a Restricted System Entry Point may be withdrawn shall be 13:00 hours on the Day preceding the proposed date of registration.
- 10.6 Transco will not accept any Flexibility Bid pursuant to Section D1.5 for a System Sell at any System Entry Point comprised in a Restricted System Entry Point for which the Bid Price is negative (as described in Section D2.6).
- 10.7 For the avoidance of doubt, Transco will not be required to take action under Section D1.5 to the extent that there are insufficient Flexibility Bids (open for acceptance pursuant to paragraph 10.6) to avoid the relevant Transportation Constraint at a Restricted System Entry Point.