

## **TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 272**

**SHORT TITLE:** Interim capacity entitlement arrangements at St.Fergus with neutrality adjustment

**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 to derive a Users Available Restricted System Entry Capacity.

Transco will notify shippers of the applicable scaling factor by 14:30 hrs on the preceding day.

Where the sum of a User's end of day allocation of gas and accepted System Sell Bids at the terminal exceed the User's Available Restricted System Entry Capacity a charge will be levied. The derivation of this charge will be a two part calculation as follows:

- 1) Where a shipper's allocation of gas exceeds available Restricted System Entry Capacity a charge shall be levied equal to the quantity by which Available Restricted System Entry Capacity is exceeded multiplied by the greater of:

8 times the applicable daily entry capacity charge; or

The amount by which the average price of gas sourced via the flexibility mechanism on the day exceeds the lowest price of gas sourced (if flexibility is taken)

and

- 2) Where a shipper has had one or more System Sell Bids accepted a charge shall be levied equal to the amount by which the aggregate of the User's allocation and that Users accepted system sell quantity, less the quantity in part 1), multiplied by the greater of:

8 times the applicable daily entry capacity charge; or

The amount by which the System Marginal Buy price exceeds the lowest price of gas sourced (if flexibility is taken)

In any circumstance the quantity used in calculating the above charges will be capped at the difference between a User's Available System Entry Capacity and their Available Restricted System Entry Capacity. Allocations of gas in excess of a User's Available System Entry Capacity will be subject to existing overrun provisions.

Where flexibility System Sells are required at St.Fergus to address a constraint then System Sell bids 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

PP **PROPOSER:** John Lockett

**SIGNATURE:** 

**POSITION:** Manager, Network Code

**COMPANY:** Transco

**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 Entry 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 sum of the quantity of gas delivered by a User to the System and the Flexibility Quantity under any accepted Flexibility Bid made by the user for a System Sell, at a Restricted System Entry Point System 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 sum of:
  - (a) the first overrun quantity multiplied by the greater of:
    - (i) the relevant multiplier (specified in the table in paragraph 10.1) multiplied by the Applicable Daily Rate of the System Entry Capacity Charge, and
    - (ii) the amount by which the System Average Price exceeds the System Marginal Sell Price; and
  - (b) the second overrun quantity multiplied by the greater of:
    - (i) the relevant multiplier (specified in the table in paragraph 10.1) multiplied by the Applicable Daily Rate of the System Entry Capacity Charge, and
    - (ii) the amount by which the System Marginal Buy Price exceeds (2) the System Marginal Sell Price for the Day.

for the purposes of which the System Marginal Sell Price and System Average Price shall be determined including any accepted Flexibility Bids for System Sells at the Restricted System Entry Point, notwithstanding the exclusion under Section F1.2.1.

- (3) For the purposes of paragraph (2):
  - (a) the first overrun quantity is the amount, if any, by which the sum of the User's UDQIs on that Day in respect of each System Entry Point comprised in the Restricted System Entry Point exceeds the User's Available Restricted Capacity:
  - (b) the second overrun quantity is:
    - (i) the amount, if any, by which the sum of the User's UDQIs on that Day in respect of each System Entry Point comprised in, and the amount of the Flexibility Quantity under any accepted Flexibility Bid made by the User for a System Sell at, the Restricted System Entry Point, exceeds the User's Available Restricted Capacity, less

- (ii) the amount of the first overrun quantity.
  - (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 in 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.