

## **TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0273**

**SHORT TITLE:** Additional Entry Capacity Services

**DATE:** 28/09/98      **PROPOSED IMPLEMENTATION DATE:** 1/11/98

**URGENCY:** Urgent

### **JUSTIFICATION:**

Development of new capacity services has been undertaken within the Capacity Workstream. These services will facilitate shippers' access to Entry capacity. Details of these services have only recently been agreed and it is desirable to implement these services as soon as possible before the winter period and therefore this modification should be considered as urgent.

### **CONSEQUENCE OF NOT MAKING THIS CHANGE:**

Shippers will continue to make annual Entry capacity bookings and the only access to shorter term capacity will be through trading between shippers. Shippers have stated that an inability to find trading partners leads to increased risk of overrun charges and may also lead to a situation where gas is not made available to the System except at high price. Some parties have stated that it is not possible to obtain daily capacity at fair price and that Entry capacity is effectively being 'hoarded'.

### **AREA OF NETWORK CODE CONCERNED:**

Section B, Draft legal text attached  
Transition document part II

### **NATURE OF PROPOSAL:**

Two daily capacity services are proposed;

#### **Daily System Entry Capacity**

This service will provide access to Entry capacity that is physically available but that has not been booked by shippers. The maximum physical capability of the System to flow gas at each System Entry Point will be calculated during D-1 and this will be compared with the level of capacity bookings. If the physical capability is greater than the aggregate of shippers' booking then the unbooked capacity will be made available through a competitive tender. The capacity entitlement granted through acceptance of shippers' bids will have the same status as an annual booking but will be limited to one day duration. A minimum bid price will be applied to this service to preserve the incentive for annual capacity bookings and prevent a 'flight from firm'. The level of the minimum bid price is subject to a pricing consultation (PC36).

## Secondary System Entry Capacity

This service will make available capacity which has been reserved under annual bookings but that is not being used by the shipper holding the entitlement. The availability will be calculated during D-1 by comparison of estimated input nominations at each entry point with the lesser of the physical capability and the aggregate annual capacity bookings. The secondary capacity will be made available to shippers through an auction. The capacity entitlement granted through acceptance of shippers bids may be decreased in the event that nominations for the entry point increase above the level estimated. In the event that the entitlement is thus scaled back the calculation of the charge for secondary capacity and the capacity considered in the calculation of any overrun quantity will take account of the effective time that the scaling back occurred. A minimum bid price of 0 (zero) is proposed although this is subject to pricing consultation (PC36).

The introduction of both of these services represents a significant change in the way that System Entry Capacity is made available to shippers. In order that shippers may structure their annual capacity holdings to take account of this change, Transco will terminate all current System Entry Capacity bookings and trades registered on the AT Link system. This will allow shippers to make new bookings with a registration date of 1st November 1998.

A pricing consultation has been launched regarding these services (PC36). In order to implement these services on the proposed date it is necessary to suspend the normal requirement to provide two months notice of the outcome of this consultation.

### **PURPOSE OF PROPOSAL:**

This modification will provide a mechanism for shippers to obtain Entry capacity on a daily basis. This will better facilitate gas trading between shippers and may lead to lower gas prices by reducing the risk of shippers incurring overrun charges. Access to unutilised capacity will promote shippers' management of their capacity holdings and will diminish the incentives that may exist for capacity hoarding. This will allow a more efficient match between capacity availability and gas availability to meet shippers' own and System requirements.

**IDENTITY OF PROPOSER'S REPRESENTATIVE:** Mark Ripley

**PROPOSER:** TIM DAVIS

**SIGNATURE:** 

**POSITION:** Manager, Network Code Development

**COMPANY:** Transco

### **MODIFICATION PANEL SECRETARY'S USE ONLY**

Reference Number: 0273

Date Received: 28/9/98

**MOD 273**  
**ADDITIONAL ENTRY CAPACITY SERVICES**

**SECTION B**

B1.2.2 The classes of System Capacity are System Entry Capacity, Daily System Entry Capacity, Secondary System Entry Capacity, NTS Exit Capacity, LDZ Capacity and Supply Point Capacity.

B1.2.3(e) "Daily System Entry Capacity" at an Aggregate System Entry Point is the available capacity which a User has applied for on a Day and been allocated in accordance with paragraphs 2.2.12 to 2.2.18.

B1.2.3 (f) "Secondary System Entry Capacity" at an Aggregate System Entry Point is the available capacity which a User has applied for on a Day and has been allocated in accordance with paragraphs 2.2.19 to 2.2.25.

B1.6 .....other than 29th February in any Gas Year except that applications for Daily System Entry Capacity and Secondary System Entry Capacity may be made on or in respect of 29th February.

**B2 SYSTEM ENTRY CAPACITY**

B2.2.1 A User may apply for System Entry Capacity, Daily System Entry Capacity and Secondary System Entry Capacity at an Aggregate System Entry Point (except in respect of LNG Facilities), subject to and in accordance with this paragraph 2.2.

2.2.2 - 2.2.11 Unchanged

**Daily System Entry Capacity**

2.2.12 Each User may make a maximum of 5 applications for Daily System Entry Capacity in respect of each Aggregate System Entry Point and any such application for Daily System Entry Capacity:

- (a) shall specify:
  - (i) the identity of the User;
  - (ii) the Aggregate System Entry Point;
  - (iii) the amount of Daily System Entry Capacity applied for, giving a maximum and minimum requirement where applicable in any number of multiples of 150,000 kWh (5\*\*\*therms);
  - (iv) the offer price (up to four decimal places) for such Daily System Entry Capacity;
  - (v) the proposed date of registration;
- (b) shall be submitted between 11.00 hours and 13.00 hours on the Day before the proposed date of registration.

2.2.13 Transco will reject an application for Daily System Entry Capacity:

- (i) where the requirements of paragraph 2.2.12 are not complied with, or
- (ii) in accordance with Section V3;
- (iii) in accordance with paragraph 2.2.15.

(iv) where the offer price is less than the minimum price specified in the prevailing Transportation Statement.

2.2.14 A User shall not be permitted to withdraw an application for Daily System Entry Capacity once the time for applications has closed at 13.00 hours on the Day before the proposed date of registration.

2.2.15 In respect of each Day at each Aggregate System Entry Point, Transco will make allocations in accordance with the following procedure:

- (i) Transco will allocate Daily System Entry Capacity up to a maximum of Transco's assessment of the physical capability of the Aggregate System Entry Point less the aggregate System Entry Capacity for all Users at the Aggregate System Entry Point;
- (ii) Where applications for Daily System Entry Capacity from two or more Users in respect of the same Aggregate System Entry Point are identically priced and Transco is not able to allocate all such applications, because the aggregate of the Daily System Entry Capacity applied for exceeds that which is available for allocation, then all such identically priced applications shall be rejected by Transco;
- (iii) allocations will be made in descending order of offer price;
- (iv) Transco will only allocate to a User, Daily System Entry Capacity in respect of the Aggregate System Entry Point, where the whole amount (on a non divisible basis) of such Daily System Entry Capacity applied for (having regard to the maximum and minimum requirement referred to in paragraph 2.2.12(iii)) is no greater than the Daily System Entry Capacity which is available for allocation in accordance with this procedure. Where Transco is not able to so allocate any amounts of

Daily System Entry Capacity due to the requirements of this paragraph 2.2.15(v) such Daily System Entry Capacity will remain available for allocation to the next User in accordance with this procedure:

(v) Transco shall continue to repeat this procedure until all such Daily System Entry Capacity has been allocated unless Transco is not so able to allocate using this procedure in which case it shall remain unallocated.

2.2.16 The User (if its application is approved) will be registered as holding Daily System Entry Capacity at the Aggregate System Entry Point ("Registered Daily System Entry Capacity") for a fixed period ("the capacity period") of one Day.

2.2.17 A User may not apply for Daily System Entry Capacity at an Aggregate System Entry Point other than as set out in paragraph 2.2.12.

2.2.18 On the expiry of the capacity period the User shall cease to be registered as holding Registered Daily System Entry Capacity at the relevant Aggregate System Entry Point, but without prejudice to any new application under paragraph 2.2.12 in respect of another Day.

### **Secondary System Entry Capacity**

2.2.19 Each User may make a maximum of 5 applications for Secondary System Entry Capacity in respect of an Aggregate System Entry Point and any such application for Secondary System Entry Capacity:

(a) shall specify:

(i) the identity of the User;

- (ii) the Aggregate System Entry Point;
  - (iii) the amount of Secondary System Entry Capacity applied for (in kWh), giving a maximum and minimum requirement where applicable in any number of multiples of 150,000 kWh (5\*\*\* therms);
  - (iv) the offer price (up to four decimal places) for such Secondary System Entry Capacity;
  - (v) the proposed date of registration;
- (b) shall be submitted between 11.00 hours and 13.00 hours on the Day before the proposed date of registration.

2.2.20 Transco will reject an application for Secondary System Entry Capacity:

- (i) where the requirements of paragraph 2.2.19 are not complied with, or
- (ii) in accordance with Section V3;
- (iii) in accordance with paragraph 2.2.22.
- (iv) where the offer price is less than the minimum price specified in the prevailing Transportation statement.

2.2.21 A User shall not be permitted to withdraw an application for Secondary System Entry Capacity once the time for application has closed at 13.00 hours on the Day before the proposed date of registration.

2.2.22 In respect of each Day at each Aggregate System Entry Point, Transco will make allocations in accordance with the following procedure:

- (i) Transco will allocate Secondary System Entry Capacity up to a maximum of the difference between Transco's assessment of the likely Input Nominations at 16.00 hours on the Preceding Day and the lesser of the aggregate System Entry Capacity for all Users at the Aggregate System Entry Point and Transco's assessment of the physical capability of the Aggregate System Entry Point.
- (ii) Where applications for Secondary System Entry Capacity from two or more Users in respect of the same Aggregate System Entry Point are identically priced and Transco is not able to allocate all such allocations, because the aggregate of the Secondary System Entry Capacity applied for exceeds that which is available for allocation, then all such identically priced applications shall be rejected by Transco.
- (iii) allocations will be made in descending order of offer price.
- (iv) Transco will only allocate to a User, Secondary System Entry Capacity, in respect of the Aggregate System Entry Point, where the whole amount (on a non divisible basis) of such Secondary System Entry Capacity applied for (having regard to the maximum and minimum requirement referred to in paragraph 2.212 (ii) is no greater than the Secondary System Entry Capacity which is available for allocation in accordance with this procedure. Where Transco is not able to so allocate any amounts of Secondary System Entry Capacity due to the requirements of this paragraph 2.2.22(v) such Secondary System Entry Capacity will remain available for allocation to the next User in accordance with this procedure;

(v) Transco shall continue to repeat this procedure until either all such Secondary System Entry Capacity has been allocated unless Transco is not able to so allocate using this procedure in which case it shall remain unallocated:

2.2.23 The User (if its application is approved) will be registered as holding Secondary System Entry Capacity at the Aggregate System Entry Point ("Registered Secondary System Entry Capacity") for a fixed period ("the capacity period") of one Day. During the capacity period a User's Registered Secondary System Entry Capacity shall (subject to Section V 4.3) only be reduced or cancelled in accordance with paragraph 2.7.

2.2.24 A User may not apply for additional Secondary System Entry Capacity at an Aggregate System Entry Point other than as set out in paragraph 2.2.19.

2.2.25 On the expiry of the capacity period the User shall cease to be registered as holding Registered Secondary System Entry Capacity at the relevant Aggregate System Entry Point, but without prejudice to any new application under paragraph 2.2.19 in respect of another Day.

## 2.3 ENTRY CHARGES

2.3.3 A User shall pay charges ("Daily System Entry Charges") in respect of Registered Daily System Entry Capacity at Aggregate System Entry Points.

2.3.4 The Daily System Entry Charge payable by a User in respect of each Day will be determined for each Aggregate System Entry Point as such administration charge (if any) as is set out in the Transportation Statement and the amount of its Registered Daily System Entry Capacity multiplied by the bid price of the relevant bids comprised in the Registered Daily System Entry Capacity.

2.3.5 A User shall pay charges ("**Secondary System Entry Charges**") in respect of Registered Secondary System Entry Capacity at Aggregate System Entry Points less any amount scaled back in accordance with paragraph 2.7.

2.3.6 The Secondary System Entry Charge payable by a User in respect of each Day will be determined for each Aggregate System Entry Point as such administration charge (if any) as is set out in the Transportation Statement and the amount of its Registered Secondary System Entry Capacity multiplied by the bid price of the relevant bids comprised in the Registered Secondary System Entry Capacity.

2.3.7 System Entry Capacity Charges, Daily System Entry Charges and Secondary System Entry Charges will be invoiced and payable in accordance with Section S.

## 2.5 FLEXIBILITY OVERRUNS

2.5.1(ii) for any reason the quantity of gas delivered by the User to the System at the Bid Aggregate System Entry Point exceeds the User's Available System Entry Capacity, the User's Registered Daily System Entry Capacity and the User's Registered Secondary System Entry Capacity (reduced by any amount scaled back in accordance with paragraph 2.7)

2.5.2(b)(i) .....exceeds the User's Available System Entry Capacity, the User's Registered Daily System Entry Capacity and the User's Registered Secondary System Entry Capacity (reduced by any amount scaled back in accordance with paragraph 2.7) in respect of such Bid Aggregate System Entry Point, and  
....

## 2.6 OVERRUN CHARGES

2.6.1 If for any reason.....exceeds the User's Available System Entry Capacity, the User's Registered Daily System Entry Capacity and the User's Registered Secondary System Entry Capacity (reduced by any amount scaled back in accordance with paragraph 2.7)

2.6.2(a) the " **overrun quantity**" in respect of an overrun day is the amount by which the .....exceeds the User's Available System Entry Capacity, the User's Registered Daily System Entry Capacity and the User's Registered Secondary System Entry Capacity (reduced by any amount scaled back in accordance with paragraph 2.7).

## 2.7 SCALING BACK

2.7.1 Transco will periodically monitor, before and during Day, the prevailing level of User Input Nominations at each Aggregate System Entry Point. Where such Input Nominations increase to the extent that the available Secondary System Entry Capacity (calculated in accordance with paragraph 2.2.22(i)) is less than the aggregate Registered Secondary System Entry Capacity for all Users at the Aggregate System Entry Point then scaling back will take place in accordance with the further provisions of this paragraph 2.7.

2.7.2 Transco will cancel all or part of a User's Registered Secondary System Entry Capacity ("**scaling back**") in reverse order of offer price (cheapest first) to the point where Registered Secondary System Entry Capacity is less than or equal to the available Secondary System Entry Capacity (calculated in accordance with paragraph 2.2.22(i)) by scaling back whole bids (no part bids) and where allocations have been made pursuant to identically priced bids by scaling back all such allocations.

2.7.3 Scaling back will take place before or during the Day and will take effect on the hour at least 60 minutes following notification by Transco to a User of the scaling back.

2.7.4 Secondary System Entry Capacity will not be scaled back to an extent where the User's Registered Secondary System Entry Capacity is less than 1/24 of the User's Registered Secondary System Entry Capacity at the beginning of the Day for each hour of the Day which has expired prior to effective time of the scaling back in paragraph 2.7.3. For the purposes of paragraphs 2.5 and 2.6 where scaling back occurs within Day a Users Registered Secondary System Entry Capacity will be:-

$$\frac{x}{24} * C$$

where x = the number of whole elapsed hours in the Day prior to the effective scaling time calculated in paragraph 2.7.3

C = the Users Registered Secondary System Entry Capacity notified in accordance with paragraph 2.2.22(i)

2.7.5 Transco will not undertake scaling back after 00.00 on the Day.

2.7.6 Where scaling back happens

- (a) before the Day (in accordance with paragraph 2.7.3) no charge shall be made in respect of such Registered Secondary Entry Capacity;
- (b) within the Day (in accordance with paragraph 2.7.3) Transco shall charge each User on the basis of the amount of Registered Secondary Entry Capacity available to such User after scaling back has taken place.

## B5 CAPACITY TRANSFER

B5.1.6 Daily System Entry Capacity and Secondary System Entry Capacity cannot be transferred.

## TRANSITION DOCUMENT PART II

### SECTION 8 MISCELLANEOUS

#### 8.1 Section B: System use and capacity

##### 8.1.1 B1.8.2 Insert additional sentence to read:

"For the purposes of Transco's notification entitled Daily Capacity Services at Entry developed from pricing consultation paper PC 36 Section B1.8.2 shall not apply."

##### 8.1.3 B2.2.7 delete and replace with:

"Notwithstanding Section B2.2.7, except for System Entry Capacity registered as held at LNG Facilities, System Entry Capacity registered as held at any Aggregate System Entry Point for any capacity period whose date of registration is on or before the 31st October 1998 will be deemed terminated at the close of the Day commencing on 31st October 1998. .