

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0383

SHORT TITLE: Modifications to OCM Bidding Rules for Constrained Top up

DATE: 7/2/2000 **PROPOSED IMPLEMENTATION DATE:** ASAP

URGENCY: Urgent

JUSTIFICATION OF URGENT STATUS:

The current Network Code rules governing the posting of Top-up market offers obliges Transco to make available all of its deliverability on the OCM, this includes the Top-up Manager's gas both above and below the storage monitor level. This introduces the risk of constrained gas below the storage monitor level flowing as a result of the Top-up Manager's market offer being accepted by parties other than Transco at times when the local demand forecast anticipates firm demand being less than the threshold for constrained LNG use. Constrained gas below the monitor levels is meant to be there to support the system on days when forecast firm demand is above the constrained threshold.

In effect it is possible there could be insufficient gas in store to meet 1 in 20 peak firm day capacity as a result of the Top-up bidding rules. This could potentially put Transco in breach of both its licence and safety case through no fault of its own. This situation should be remedied as soon as possible. The risk is more pronounced during the winter period and, for this modification to reduce the risk, it would ideally need to be implemented as soon as possible.

The requirement for Emergency Top-up market offers would need to be removed from the Network Code. This would prevent OCM participants accepting a bid which gives access to all unbooked deliverability which could result in the Top-up Manager's constrained gas below the monitor level flowing from store which could result in taking the gas in store to below the monitor level.

NATURE OF PROPOSAL:

This modification proposal only applies to Constrained Top-up.

This modification proposal will alter the quantity associated with Top-up market offers placed by the Top-up Manager on the OCM. This will not affect any obligation Transco has to comply with its safety case to ensure that Top-up bids appear on the OCM, or the price at which these offers are made. In effect this modification splits constrained Top-up into two elements:-

- (i) Constrained gas which is below the monitor level, and
- (ii) Constrained gas which is above the monitor level which will be made available to the OCM.

The mechanism to access all gas for constrained purposes will be through a constrained nomination by Transco. The quantity of constrained Top-up that will be made available to the OCM as a Top-up market offer will be the quantity of constrained Top-up gas which is in excess of the aggregate constrained Top-up monitor for a specific storage facility or 100,000kWh whichever is the greater.

The requirement for Emergency Top-up market offers will need to be removed.

PURPOSE OF PROPOSAL:

This proposal will ensure that Transco has access to sufficient quantities of gas to meet the 1 in 20 supply security standards outlined in standard condition 13 of BG Tranco's PGT Licence and ensures that a Top-up market offer is always present on the OCM as required by Transco's safety case.

In particular this modification will remove undue risk created by the implementation of modification 0313. This modification proposal would protect the Top-up Manager's gas in store, required to meet peak day firm capacity required for 1 in 20 conditions, by making it inaccessible through the OCM.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

If the existing Top-up bidding rules remain in force there is a risk of there being insufficient gas in store to support the system on days where peak day firm demands approach those anticipated on a 1 in 20 basis, despite sufficient gas having been purchased and injected into store in advance of the period when 1 in 20 conditions are most likely to occur. This is because the Top-up Manager has to make available on the OCM, as a Top-up bid, all of his available deliverability. This could potentially put Transco in breach of its PGT licence and Safety Case obligations.

AREA OF NETWORK CODE CONCERNED:

Primary: Section P - Top-Up Storage

IDENTITY OF PROPOSER'S REPRESENTATIVE:

David Chamberlain

PROPOSER: Tim Davis

SIGNATURE:

POSITION: Manager, Network Code and Pricing

COMPANY: Transco

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number:0383

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