

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0391

SHORT TITLE: Treatment of Constrained Top-up for 2000 - 2002

DATE: 9/3/2000 **PROPOSED IMPLEMENTATION DATE:** 1 May 2000

URGENCY: Urgent

JUSTIFICATION OF URGENT STATUS:

This modification proposal, if implemented, may affect the decisions Shippers make in connection with procuring storage services for the 2000/2001 storage year. Shippers will have identified their requirements and began to purchase relevant services no later than 31st March 2000. Therefore it is important this modification proposal be considered urgent to ensure Shippers can make appropriate informed decisions concerning their preference and need for storage services.

NATURE OF PROPOSAL:

This modification proposal will:

- Apply up to the end of the current formula period.
- Separate national supply/demand Top-up requirements from Top-up required for constrained purposes (constrained Top-up).
- Identify the costs associated with the provision of constrained Top-up. These will be the same as those covered in Section P 6.1.1 of the Network Code and in addition will include any costs incurred in respect of deliverability overrun charges.
- Identify any revenues which could be associated with the provision of constrained Top-up. These will be the same as those identified in section P6.1.2 and 6.1.3. of the Network Code.
- The net of costs and revenues for the storage year will be recovered from the community via the existing Top-up Neutrality methodology as described in the Network Code.

An alternative would be to pass the costs through as an adjustment to transportation revenue through “K” the following year. Transco would welcome respondents views on this option.

PURPOSE OF PROPOSAL:

To provide sufficient transportation capacity, or substitute, to meet the 1 in 20 aggregate peak daily demand as outlined in Standard Condition 13(2) of its PGT licence, in a manner which satisfies the relevant objective outlined in Standard Condition 7(a) “the efficient and economic operation by the licensee of its pipeline system”. This modification proposal will permit Transco to recover those costs incurred, through its function as Top-up Manager, in achieving this.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

Transco will continue to inappropriately incur costs in the provision of transportation capacity at various points on the System. This will continue to distort investment signals as

Transco, due to the implementation of Modification Proposal 0297, is forced to provide this transportation capacity for free if Shippers do not book sufficient quantities in constrained facilities.

AREA OF NETWORK CODE CONCERNED:

Transition Document part II, Section P

IDENTITY OF PROPOSER'S REPRESENTATIVE:

David Chamberlain

PROPOSER: Tim Davis

SIGNATURE:

POSITION: Head of Network Code and Pricing

COMPANY: Transco

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number: 0391

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