Modification Report
Definite Gate Closure Times For Daily System Entry Capacity Bids
Modification Reference Number 0432

Version 2.0

This Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

It is proposed that the Network Code rules, pertaining to the provision of Daily System Entry Capacity, be amended so that Users would know the gate closure time before which bids must be submitted if they are to be considered in a subsequent allocation process for Daily System Entry Capacity. For example, it is anticipated that if the Modification Proposal is approved, the Network Code could provide for gate closure times to occur on the hour (06.00, 07.00 etc.). The subsequent allocation process would only take into account bids that have been submitted before that time and have not been wholly satisfied by previous allocations. Any bids submitted after the gate closure would be considered at the subsequent allocation following gate closure at the next hour bar.

2. Transco's Opinion

Transco believes that modification proposal 0432 provides greater certainty for participants in within day capacity auctions which will reduce the risk of submission of erroneous bids by Users. The introduction of specific gate closure times for within day capacity release would remove the problem of uncertain closure times to the bid window. For example the bid window could be closed on the hour, which would provide a clear time limit for bidding. Users could amend or withdraw bids up until the closure time with certainty that bids would not be taken and so validation processes could be better facilitated.

3. Extent to which the proposed modification would better facilitate the relevant objectives

The proposal is intended to enhance efficient operations relating to the provision of Daily System Entry Capacity. In particular, it is anticipated that a definite gate closure time will provide certainty for Users when bidding for Daily System Entry Capacity.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

There are unlikely to be any implications for the operation of the system.

b) development and capital cost and operating cost implications:

The development of a definite gate closure time would incur system development costs, which have been included as part of RGTA programme budget planning. No changes to operating costs are anticipated.

c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:

Costs of system development would be met from allowed revenues for such purposes.

d) analysis of the consequences (if any) this proposal would have on price regulation:

No such consequences have been identified.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal

Transco believes that the implementation of definite within day gate closure times would reduce the probability of Users posting bids in error and subsequently contesting invoice amounts.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

The RGTA system would require modification to enable the introduction of definite within day gate closure times.

7. The implications of implementing the Modification Proposal for Users

The implementation of definite gate closure would assist Users by providing a greater degree of certainty regarding the Daily System Entry Capacity release process. That certainty could afford Users with a greater opportunity to plan and review bids for Daily System Entry Capacity.

8. The implications of implementing the Modification Proposal for Terminal Operators,Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

No such implications have been identified.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

No such consequences have been identified.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages;

- Provides certainty for Users regarding the process of bidding for Daily System Entry Capacity.
- Reduces Transco discretion for timing of gate closure.
- Facilitates correction of erroneous bids.

Disadvantages;

- Transco ability to respond to demand changes will be limited by the gate closure times.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representations have been received from British Gas Trading, Powergen, Scottish & Southern Energy and Shell Gas Direct.

British Gas Trading, Powergen and Shell Gas Direct express support for the proposal and agree that it would introduce greater certainty and transparency in the bidding process and should help to reduce the risk of bids being placed on the system in error. British Gas Trading and Shell Gas Direct also consider that implementation of the proposal would bring operational benefits to Shippers as they would not be required to constantly monitor the amount of entry capacity available in the market.

British Gas Trading notes that Transco has drawn attention to the fact that implementation of the proposal may restrict its ability to respond to within day changes in demand and capacity availability. However, British Gas Trading considers that it should be possible to manage this through an hourly assessment of capacity requirements.

Both Powergen and Scottish and Southern Energy stress that the Modification Proposal must be treated as complementary to Modification Proposal 0419 and argue that the arrangements in this proposal are essential. Powergen also draws attention to the discussions and consultations taking place under NETA and urges for similar "manifest error" principles to be applied in both the gas and electricity markets.

Shell Gas Direct urges Transco to ensure that the IT systems in place can accommodate the possible impact arising from the introduction of definite gate closure times, for example, the increase in bidding which may occur close to the gate closure. Shell Gas Directs comments that this of particular concern given that the only means by which data can be accessed and monitored is by "screen scraping" the information, an activity which Transco has advised may slow down the speed at which the system operates. Shell Gas Direct suggests that Transco should investigate alternative means for Shippers to access the data in order to allay concerns over the ability of the IT systems to facilitate gate closure.

Scottish and Southern Energy does not support the Modification Proposal. It disagrees with the view that the proposal would provide greater certainty in the bidding process and does not believe that the proposal would reduce the risk of Shippers submitting erroneous bids. Scottish and Southern Energy also questions how the proposal would enhance the efficiency of the provision of daily entry capacity by Transco, arguing that Transco should be equally as efficient in allocating capacity just after the hour bar as it would be at any other time.

Transco Response

Transco remains of the view that increased certainty regarding the timing of gate closure would be beneficial to Users because that additional certainty will foster an environment that better facilitates the bidding and review process undertaken by Users. The consequential reduction in erroneous bids placed by Users should result in a more efficient process of primary allocation of entry capacity.

Transco recognises the concerns of respondents that have indicated that this Modification Proposal should be treated as complementary to Modification Proposal 0419. Transco believes that the Proposals must each be considered on their own merits and that it should not be the case that agreement with one should automatically signal opposition to the other.

Transco is aware that developments in other business environments can inform the debate and potentially shape the development of the Network Code. It is important that Users and Transco maintain an awareness of the wider business developments, such as NETA, if the best outcome is to be achieved for Network Code development.

The within day release of Daily System Entry Capacity is operated on an IT system that was developed to accommodate a higher volume of bid activity than has been experienced so far. Transco has reviewed its IT systems in the light of this proposal and is confident that the underlying systems will continue to function effectively if this proposal is approved.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

Not applicable

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement furnished by Transco under Standard Condition 3(1) of the Licence

Not applicable

14. Programme of works required as a consequence of implementing the ModificationProposal

The proposal has been discussed by a sub-group of the Capacity and Energy Workstream as part of a wider discussion regarding treatment of errors associated with the RGTA capacity system. System changes have been identified and a programme of works planned that would enable implementation of the proposal on 1 April 2001. That programme includes regression testing of all capacity bid functionality that may be impacted by introduction of the proposal.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

If approved, it is anticipated that this proposal could be implemented on 1 April 2001.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of this proposal.

17. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

19. Text

SECTION B : SYSTEM USE AND CAPACITY

Amend paragraph 2.5.6 to read as follows:

"...Transco will initiate, between 13:00 hours on the Preceding Day and 02:00 hours on the Day a capacity allocation period (and may do so on one or more occasion in accordance with this paragraph 2.5).".

Amend paragraph 2.5.14(f) to read as follows :

""**capacity allocation period"** is a period of 15 minutes, in which Transco conducts capacity allocation at an Aggregate System Entry Point for a Day, and which subject to there being Available Daily Capacity and available daily capacity bids at such time :

(a) first commences at 13:00 hours on the Preceding Day to that for which the Daily System Entry Capacity is applied for;

(b) commences on any hour bar falling thereafter up to and including 02:00 hours on the Day for which the Daily System Entry Capacity is applied for (but not thereafter).".

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date:

Gas and Electricity Markets Authority Response:

> In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0432**, version **2.0** dated **21/12/2000**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **2.0**.

Signature:

Process Manager - Network Code

Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:

   (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or

   (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriate

   provided that if the Authority does not so approve the Agreement then Clause 3 shall apply.

2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.

3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.

4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.