

# **TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0561**

"Publication of capacity forward and option costs"

Version 1.0

**Date:** 28/06/2002

**Proposed Implementation Date:**

**Urgency:** Urgent

## **Justification**

An active and liquid secondary capacity market is in the interests of Transco, shippers and customers. This will lead to lower risks associated with bringing gas to market and lower costs of system operation. To facilitate the development of such a market, information transparency is key. Information relating to Transco's use of capacity management tools is vital to enable shippers and customers to understand market dynamics. Information on the market will also facilitate new entry and greater competition in the buy-back market. This should lead to lower buy back costs over time. Shippers and customers should also have access to this information to allow them to effectively monitor Transco's actions. Shippers and customers ultimately bear the costs of any Transco actions and need to be able to ensure that Transco is operating the system efficiently in choosing to access alternative tools.

The proposal is urgent as the pricing information relating to capacity forwards and options is very important when assessing the value of monthly system entry capacity. This information should be published ahead of the forthcoming annual monthly system entry capacity auctions to enable shippers to formulate their bidding strategies.

## **Nature of Proposal**

Transco has recently developed new capacity management tools and has held tenders for shippers to sell forward and option contracts for monthly system entry capacity back to Transco. Transco should be obliged to publish certain information (weighted average price, volume contracted, volume offered, number of bidders and number of successful bidders) following each tender. Transco should also be obliged to publish on a daily basis the volume and weighted average price of any capacity options exercised on that day.

## **Purpose of Proposal**

This modification, if implemented, would better facilitate the relevant objectives of the efficient and economic operation of the pipeline system by facilitating new entry and greater competition in selling forward and option contracts to Transco. It would also better facilitate competition between shippers and suppliers by reducing risk.

## **Consequence of not making this change**

Failure to publish this information will hinder the development of competition in provision of capacity management services to Transco leading to higher costs of system operation. It will also hinder the development of an actively traded secondary market in capacity, raising risks and costs to shippers and customers.

## **Area of Network Code Concerned**

Section V

**Proposer's Representative**

Stephen Charles Smith

**Proposer**

Aep Energy Services Ltd