

**TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0617**  
**"Revision to the Standard Year for purposes of acquiring and holding Long Term System Entry Capacity"**  
**Version 1.0**

**Date:** 18/02/2003

**Proposed Implementation Date:**

**Urgency:** Non-Urgent

**Justification**

Currently the "Gas Year" runs from 1 October until 30 September for each year. Traditionally, this has formed the basis of a number of areas of activity including the acquisition and holding of System Entry Capacity. With the implementation of Modification 500 "Long-Term Capacity Allocation", Users are now able to acquire System Entry Capacity well into the future through Long-Term and Annual allocation/Auction processes. This raises a number of conflicts with other periods.

Transco's Price Control is based upon a "Formula Year" of April to March, therefore issues of over/under recovery from the sale of System Entry Capacity must currently be pro-rated between periods.

Baseline System Entry Capacity is also aligned to the Formula Year, as Transco's return on assets is related to a determined level of Baseline capacity fixed for that formula year. Therefore in the Long-Term and Annual processes the amount of System Entry Capacity available is not consistent throughout the term.

In moving to a yearly process, Annual Monthly System Entry Capacity (AMSEC), it would be more appropriate that this were timed in February or March of each year, to acquire capacity rights for the following April to March. This has the benefit that prospective bidders will have more accurate information on expected gas flows and the programme of annual maintenance to be carried out in summer months which tends to be more variable and has lead to volatility in past rounds.

Should the "Capacity Year" be amended to an April to March sequence for the AMSEC rounds, there would be a conflict between the short term and long term processes. In order to eliminate this conflict it is proposed that the Long Term System Entry Capacity (LTSEC) process is also revised.

**Nature of Proposal**

It is proposed that the LTSEC allocation process is held in September of each year and at this time would offer capacity for the period April (Y+2) to March (Y+16). This affords eighteen months between the conduct of the allocation process, with Transco's publication of the IECR scrutiny by the following November, making capacity available in the April (Y+2).

This would also provide a separation of the processes for Annual MSEC and LTSEC and allow consideration of the outcome of each process and its evaluation under the Incremental Entry Capacity Release methodology. Users would be in possession of the confirmed outcome of each process when participating in the other.

## **Purpose of Proposal**

To revise the timing of the LTSEC allocation process in order to align the sale of capacity with Transco's Formula year and Baseline capacity periods.

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

The various processes would continue to be out of synchronisation with both financial and baseline capacity periods.

## **Area of Network Code Concerned**

Section B

## **Proposer's Representative**

MIKE S YOUNG

## **Proposer**

British Gas Trading Ltd

## **Signature**

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