

# **TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0653**

## **"Revision to entry capacity overrun charges"**

### **Version 1.0**

**Date:** 10/10/2003

**Proposed Implementation Date:**

**Urgency:** Non-Urgent

### **Justification**

The overrun charge is applied to users who flow gas in excess of their entry capacity holding over the Gas Day. Overrun charges are designed to provide an incentive on shippers to pre-book sufficient entry capacity under the 'ticket to ride' principle. The overrun charge should ensure that shippers who flow gas in excess of booked capacity are exposed to the costs they impose on NGT and other users. Significant costs can be incurred if NGT has to use capacity management tools as a result of shippers flowing gas without securing enough capacity.

The current overrun charge is set in such a way that if an erroneous bid was to be accepted in either the Annual Monthly System Entry Capacity (AMSEC), Rolling Monthly System Entry Capacity (RMSEC) or the Daily System Entry Capacity (DSEC) auctions, this can cause an excessively high overrun charge to be applied, potentially for an entire month. Overrun charge rates for St Fergus, for example, have ranged from 0.464 p/kWh to 2.5 p/kWh (14 p/thm to 73 p/thm), since October 2002.

An arrangement is required whereby the effect of an erroneous bid being accepted in a firm capacity auction does not set exceptionally high overrun charge rates.

### **Nature of Proposal**

The current entry capacity overrun charges should be changed to safeguard Users from excessively penal overrun charges caused by an erroneous bid being accepted in the AMSEC, RMSEC and DSEC auctions. In order to maintain transparency and simplicity the highest price from each of the firm capacity auctions (LTSEC, AMSEC, RMSEC and DSEC) should be averaged and then multiplied by a factor of 8, thereby "smoothing" out the effect of any erroneous bids accepted in any of the firm capacity auctions.

### **Purpose of Proposal**

To reduce the risk to Users of unnecessarily high overrun charges being applied, even on non-constrained days, which are not reflective of actual costs of using capacity management tools.

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

Maintaining the current level of overrun charges will continue to raise the risk of excessive charges to shippers who are bringing gas to market. This could lead to higher prices for capacity in the secondary markets and increased cost of capacity management to NGT, potentially in critical months.

### **Area of Network Code Concerned**

Section B

**Proposer's Representative**

Jaivanti Maisuria (ConocoPhillips (UK) Ltd (Gas & Power Europe))

**Proposer**

Barry King (ConocoPhillips (UK) Ltd (Gas & Power Europe))

**Signature**

.....