

Draft Modification Report
Price change notification periods
Modification Reference Number 0655

Version 2.0

This Draft 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

Transco should be obliged to publish price changes at least 3 months ahead to provide greater certainty to the market. It should also be required to publish indicative prices 3 months prior to this (ie 6 months before implementation). Furthermore, after the publication of indicative prices and before the publication of final prices, Transco should use its best endeavours to ensure that it informs Users as soon as practicable of any change to its assumptions / data that it becomes aware of that could have a material effect on the final prices published.

2. Transco's Opinion

Transco believes that increasing the notice period to three months from two months could prove to be counter-productive as giving earlier notice could mean that the price changes are less appropriate when they do take effect and then further price changes may be required to correct the errors. The two months notice period has worked well in the past as a good compromise between an adequate period of notice and getting the price changes as accurate as possible.

Rather than increase the notice period for the reasons explained, Transco could undertake to provide to Users indicative notice of changes with more consistency than in the recent past. The Licence already requires Transco to use reasonable endeavours to give 150 days notice to Ofgem when considering any changes to the charges and these notices could automatically be made available to Users.

Transco also believes that increasing the period for indicative notice to 6 months from 150 days would not serve any useful purpose as it would make the indicative notice less accurate and therefore of far less value. Instead, Transco could undertake, on a reasonable endeavours basis, to inform shippers of any material change to the content of the 150 day notice before the issuing of the two months notice.

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

The proposer states that the proposal will better facilitate the Relevant Objectives of the Network Code by furthering effective competition between shippers and suppliers and by ensuring efficient operation of the pipe-line.

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

a) implications for the operation of the System:

If implemented, this proposal would have no impact upon the operation of the System.

b) development and capital cost and operating cost implications:

There are no development, capital or operating costs implications as a result of implementing this proposal.

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:

Not applicable.

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

If this proposal were implemented it could lead to more frequent price changes because the extended notice period would mean price changes were less appropriate by the time they come to be implemented. This could lead to greater price volatility than at present.

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

It is not anticipated that there will be a change to the level of contractual risk to Transco as a consequence of this proposal.

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

No development implications on the computer systems of Transco or on the related computer systems of Users are anticipated.

7. The implications of implementing the Modification Proposal for Users

Users would have three months notice of price changes, but price changes might be more frequent and price levels more volatile.

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

No implications are anticipated.

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 significant consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party are anticipated as a result of the implementation of this proposal.

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

Advantages.

- Users would have an additional months notice of price changes and increased notice of indicative changes.

Disadvantages.

- Increasing the notice period to three months from two months could prove to be counter-productive as giving earlier notice could mean that the price changes are less appropriate when they do take effect necessitating further price changes to correct any errors.
- An increase in the notice period could lead to greater volatility in price levels.
- Increasing the period for indicative notice to 6 months from 150 days is likely to make the information in the indicative notice less accurate and therefore of less value.

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

Representations are now sought

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

Implementation is not required to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

Implementation is not required with regard to any proposed change in the methodology established under Standard Condition 4(5) of the Statement; furnished by Transco under Standard Condition 4(1) of the License.

14. Programme of works required as a consequence of implementing the Modification Proposal

There are no modifications required to the UK-Link Systems and therefore a programme or works will not be required as a result of implementing the Modification Proposal.

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

Transco does not recommend implementation.

16. Recommendation concerning the implementation of the Modification Proposal

Transco does not recommend implementation.

17. Text

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report

Signed for and on behalf of Transco.

Signature:

Simon Griew
Charging & Forecasting Manager
NT & T

Date: