

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0630
"Zero Reserve Price for Within-Day Sale of Daily System Entry Capacity"
Version 1.0

Date: 14/05/2003

Proposed Implementation Date: 01/10/2003

Urgency: Non-Urgent

Justification

Transco has committed (in Pricing Consultation PC76) to introduce zero reserve prices for within-day capacity auctions from 1 October 2003. This proposal is intended to give effect in the Network Code to the new Pricing Methodology.

Pricing Consultation PC76 had been raised in response to changes to Transco's Gas Transporter Licence which requires that all obligated entry capacity be offered through a clearing allocation (subject to wider Licence provisions), where a clearing allocation is defined as one where entry capacity is either sold out or offered with a zero reserve price.

At present, a single reserve price per entry point is applied for the allocation of Daily System Entry Capacity regardless of whether the allocation is conducted day ahead or within day. The present reserve price is set in accordance with the established Pricing Methodology at two thirds of the Monthly System Entry Capacity reserve price and will continue to apply to day ahead DSEC allocations only.

Nature of Proposal

It is proposed that the Network Code should identify that two separate reserve prices will apply for allocation of Daily System Entry Capacity (DSEC). The established reserve price methodology will continue to apply for reserve prices that form part of any DSEC allocation at the day ahead stage (gate closure before 06:00am) when the allocation is conducted day ahead rather than at the within day stage. A new reserve price methodology, established by Pricing Consultation PC76 will be applied when a DSEC allocation is conducted at 06:00 on the day or at any time during the Gas Day. For the purposes of this proposal the timing of when an allocation is conducted is determined as the time at which gate closure occurs.

Purpose of Proposal

The Proposal is intended to enable Transco to offer Daily System Entry Capacity at a zero reserve price within day whilst continuing to apply the established DSEC reserve price ahead of the Gas Day. The use of a within day zero reserve price for DSEC is intended to better facilitate Transco's Licence obligations regarding achieving the appropriate definition of obligated capacity.

Consequence of not making this change

Transco may potentially be unable to apply the within day reserve price methodology as set out in Pricing Consultation PC76 such that:

1. An auction with a zero reserve price is not offered, resulting in potential Transco breach of its Transporter Licence;
2. Transportation charge methodologies are not supported by defined Network Code business rules.

Area of Network Code Concerned

Section B: System Use and Capacity
Paragraph 2.4: Daily System Entry Capacity

Proposer's Representative

Russell D Cooper (Transco)

Proposer

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Signature

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