

**Draft Modification Report**  
**Zero Reserve Price for Within-Day Sale of Daily System Entry Capacity**  
**Modification Reference Number 0630**

Version 2.0

This Draft Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

**1. The Modification 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.

**2. Transco's Opinion**

Transco supports implementation of the Proposal. Implementation would satisfy the Pricing Methodology defined as a result of the Pricing Consultation PC76 process, and would thereby enable Transco to discharge its obligations under the SO Licence arrangements.

A Transco offering of obligated entry capacity through an auction in which all baseline capacity is released or was offered in a zero priced auction, which is described as a clearing allocation in the GT Licence, will ensure that any revenue associated with the release of incremental obligated capacity above the baseline level can contribute to the Capacity Buy Back Incentive

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

Transco considers that implementation of the Proposal would be consistent with Transco's discharge of its Licence obligations, and consequently enable Transco to optimise the release of entry capacity allocation. This may better facilitate User access to system entry capacity thereby better facilitating competition between Users. This may also better facilitate the efficient and economic operation of the pipe-line system.

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

**a) implications for the operation of the System:**

Transco anticipates that implementation of this Modification Proposal would allow Transco to optimise within-day entry capacity allocation which could have consequences for operation of the system.

**b) development and capital cost and operating cost implications:**

Transco anticipates computer system costs of the order of £10,000.

**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:**

Any additional SO costs would be shared with Users through operation of the internal cost element of the SO incentive scheme arrangements.

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

This Modification Proposal to the Network Code supports new transportation arrangements contained within Pricing Consultation Paper PC76.

**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**

Transco anticipates that implementation of the Modification Proposal would have no such consequence.

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

The current RGTA system and entry capacity aspects of Gemini will be affected by implementation of this Modification Proposal. It is anticipated that Gemini will be delivered on 1st November with delivery including the zero reserve requirement for within-day capacity sales. Between the proposed effective date of this Proposal and implementation of the Gemini system, Transco would be able to intervene to amend the appropriate RGTA data table to reset the reserve prices for the Gas Day in advance of any within-day sale of daily system entry capacity.

It is not anticipated that User's computer systems will be affected by implementation of this Modification Proposal.

**7. The implications of implementing the Modification Proposal for Users**

Transco would welcome representations in this respect.

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

Transco would welcome representations in this respect.

**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**

Implementation of this Modification Proposal would support the regulatory framework established by Transco's Licence arrangements.

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

Advantages:

1. Transportation charge methodologies are supported by Network Code business rules;
2. Transco is able to comply with its Licence obligations;
3. Entry Capacity allocation can be optimised under SO Licence arrangements.

Disadvantages:

1. More complex arrangements are required for entry capacity release.

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

Transco now seeks responses to this draft Modification Report.

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

No such requirement exists in respect of the Modification Proposal.

**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**

This Proposal is intended to give effect in the Network Code to pricing proposals raised within Pricing Consultation Paper PC76 and which were intended to take effective from 1st October 2003.

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

The required system changes, should this Modification Proposal be implemented, have been specified by Transco within the Gemini system delivery anticipated for implementation on 1st November 2003. Current systems will be managed to enable a within-day auction with a zero reserve price to take place from the proposed effective date of this Modification Proposal until delivery with Gemini.

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

Draft Modification Report circulated - 12 June 2003  
Consultation period ends - 3 July 2003  
Final Modification Report issued - 24 July 2003  
Ofgem decision expected - early August 2003  
Systems implementation (initial) - 1st October 2003  
Systems implementation (Gemini) - 1st November 2003  
Effective date for implementation of Proposal - 1st October 2003

**16. Recommendation concerning the implementation of the Modification Proposal**

**17. Text**

**SECTION B - SYSTEM USE AND CAPACITY**

Add new Section B.2.4.13.(J).

B.2.4.13.(J)

"the **"reserve price"** shall mean:

(i) in respect of Daily System Entry Capacity applied for and allocated prior to 06:00 on the Day for which it was applied for, the reserve price for Unsold System Entry Capacity (in accordance with the Transportation Statement); or

(ii) in respect of Daily System Entry Capacity applied for and allocated after 06:00 hours on the Day for which it was applied for, zero."

***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:

**Nigel Sisman**  
**Development Manager, Gas Balancing**  
**NT & T**

Date: