

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0491
'Introduction of a 'potential Buy Back' notification and discrete window for Buy Back activity'
Version 1.0

Date: 24th August 2001

Proposed Implementation Date: 1/10/2001

Urgency: Urgent procedures are requested for this proposal in order that it can be introduced by 1st October 2001.

Justification

Following approval of modification proposal 0481 'Release of ASEP Maximum System Entry Capacity Volumes for MSEC Auction' and Transco's most recent urgent modification proposal 0488 'Redesign of Capacity Incentive', there is general acceptance of an increased likelihood of buy back activity during certain periods from October 2001 onwards. There is also a widespread recognition that although this is a critical process that will potentially generate significant balancing costs, it is but one of many onerous monitoring and balancing activities that both Transco and shippers operational teams have to manage and respond to throughout each and everyday.

All parties have also recognised the vital importance of active shipper participation in the buy back process. Therefore, in order to encourage this participation, improve liquidity and thereby more efficient system balancing, and lower balancing costs, we propose that the present buy back arrangements are amended.

At present, Transco is able to seek buy backs at any time during the Day. We propose that this be replaced by an undertaking by Transco to conduct this activity during discrete periods. This change would not only increase market liquidity and lower balancing costs, but also facilitate more efficient use of hard pressed Transco and shipper operational resources.

Nature of Proposal

We propose that in the event of Transco determining there to be a likelihood of the need for buy back activity that they signal this possibility to shippers via an ANS message. This message will advise that Transco **may** require shippers to reduce their inputs by offering to sell capacity back to Transco. Furthermore we propose that Transco will undertake to conduct and complete any necessary buy back action during a 15-minute window commencing from the start of the next hour bar.

Purpose of Proposal

To promote active shipper participation and greater liquidity in the 'buy back' market and thereby encourage lower balancing costs, and to facilitate more efficient use of hard pressed Transco's and shippers operational resources.

Consequence of not making this change

Should the existing arrangements continue as a present there is a likelihood of reduced liquidity and higher balancing costs associated with the anticipated increased levels of buy back activity that may be necessary for Transco to effectively manage the system.

Area of Network Code Concerned

Section B

Proposer's Representative

Brian Horton
TotalFinaElf Gas & Power Limited

Proposer

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Signature

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