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MODIFICATION PROPOSAL

Short Title: Registration of Multiple Users at Large Supply Points and CSEPs
Date: 5 February 1997
Urgency: Urgent

PROPOSER:

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Proposed Implementation Date: 10/02/97

Nature and Purpose of Modification Proposal:

- To amend relevant provisions of the Network Code to allow multiple users and/or multiple transportation arrangements (firm or interruptible) to register supply points where the annual quantity of a supply meter point exceeds 58,600,000 kwh (2,000,000 therms). ("large sites") and CSEPs. This will provide endusers (including users downstream of CSEPs) with the latitude to tailor the nature of their supply and supplier in order to more efficiently meet demand requirements.
- Registration of multiple users at large sites will allow the enduser at such sites to dictate which Registered User shall deliver gas to the site on a daily, monthly, seasonal or annual basis. The enduser will also be able to tailor the nature of transmission service to fit its base load and peak needs by using a mixture of firm and interruptible transportation service.
- The proposed modification will eliminate the need for prior shipper approval of the basis on which the quantity taken off each day is to be apportioned between such users. Instead, such apportionment shall be dictated by a predetermined allocation methodology (PDA) established by the enduser and communicated to TransCo and the relevant Registered Users through the nomination process.
- The PDA can only be changed prospectively. Retrospective adjustments shall be prohibited unless the relevant Registered Users and the enduser submit their written agreement to such change to TransCo.
- PDA arrangements will be contained in a NEXA or similar agreement between TransCo and the requisite enduser.

- A similar mechanism will be implemented to allow multiple shippers to deliver gas to downstream parties situated at CSEPs, such as Interconnectors.

Area of Network Code Concerned:

G1.7 and other relevant sections as necessary to effectuate change.

Facilitation of Relevant Objectives:

Condition 7(1) (Network Code) of the Public Gas Transporter's licence requires the licensee to establish arrangements to facilitate the achievement of the following objectives:

- 1) the efficient and economic operation by the licensee of its pipeline system;
- 2) the efficient discharge of its obligations under the PGT licence;
- 3) the securing of effective competition between relevant shippers and relevant suppliers, and;
- 4) the provision of reasonable economic incentives for relevant suppliers to secure satisfaction of domestic supply security standards.

The current prohibition of multiple Registered Users at certain large supply points frustrates the achievement of the relevant objectives. Although the current provisions ostensibly allow for multiple users, such arrangements are only possible with the agreement of the Registered User. This effectively bars any meaningful competition between relevant shippers and suppliers.

The only way for an alternative supplier to conclude a transaction with an enduser under the current rules is to pay compensation to the Registered User that holds an effective monopoly over the site. The cost of this monopoly rent is ultimately passed on to the consumer. This is particularly inappropriate given that there is often available capacity that can be utilised by an alternate supplier.

The proposed modification will correct this error and facilitate achievement of each of the relevant objectives:

- 1) Efficient and economic operation of the pipeline system will be enhanced by promoting a greater degree of capacity utilisation and by promoting accurate pricing signals for supply and capacity (e.g., the value of capacity and supply interruption).

- 2) The licensee's obligation to efficiently discharge its numerous obligations (e.g. planning for capacity, ensuring safety and supply security) will be enhanced by such accurate pricing signals;
- 3) Competition between suppliers and shippers will be facilitated by removing an artificial barrier to market entry, thus benefiting consumers by promoting choice and lowering prices; and
- 4) Reasonable economic incentives for suppliers to meet domestic supply security standards will be enhanced by the general improvement in pricing signals for gas supply and capacity at peak.

Justification for Urgency:

Already certain interruptible supply customers have experienced supply disruption at a time when capacity was available to deliver supplies to the site from other suppliers. Supply was only available from the same Registered User at significantly higher prices. This causes an unnecessary disruption to electricity generation and to the proper functioning of the spot and flexibility mechanism. Moreover, failure to treat this modification as urgent will foster an environment where endusers and shippers situated downstream from CSEP interconnects are unfairly penalised by the current monopoly arrangement. Accordingly, this change should be implemented urgently.

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