

CODE MODIFICATION PROPOSAL No 0169A
“Transfer and Trading of Capacity between ASEPs”
Version 1.0

Date: 14/08/2007

Proposed Implementation Date: 31/08/2007

Urgency: Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

ScottishPower Energy Management has raised this Modification Proposal to put in place an auction process for trades and transfers of capacity. The key objective is to put in place a process that will allow capacity to be moved from where it is not required to where it can be used.

In terms of auction structure, the process is very much as proposed in Mod 0169, but including an arrangement to ensure that capacity cannot be moved away from where it is required.

We propose a multiple round auction, making the most of all available time, which should ensure better price discovery and transparency. We also include as part of the process, making capacity that can be included in the trades and transfers process available to Shippers at the ASEP at which it was first made available, thus ensuring that capacity cannot be moved away from where it is required.

Summary of Proposal:

A two round auction with allocations after each round making available all of Nov, Dec, Jan, Feb & March. Both rounds conducted post-QSEC bidding in October, with the allocation of each round taking no more than [10] days to ensure the process is complete before November. 50% of capacity will be made available in each round with the unsold capacity from Round 1 being offered in Round 2.

For clarity, there would be no re-surrender of capacity between rounds.

Under current UNC arrangements, a User* (the Transferor User*) is able to transfer all or part of its NTS Entry Capacity* holding to another User (the Transferee User*) at the same Aggregate System Entry Point* (ASEP) for any Gas Flow Day* or consecutive number of Gas Days (the “transfer period”). This is undertaken by both the Transferor User and Transferee User notifying National Grid NTS of their desire to trade (a secondary trade of Capacity is called a transfer within the UNC) by providing the required supporting information. The effect of such System Capacity Transfers* is that the amount of Capacity transferred is deducted from the Transferor User’s holding and added to the Transferee User’s holding for the purposes of determining Entry Capacity Overrun Charges* and Capacity Neutrality Charges*. The Transferor User however remains liable for Capacity

charges in respect of the amount of Capacity transferred.

The Authority* (Ofgem) has issued a Section 23 notice that if directed would place obligations on National Grid NTS to facilitate the transfer and trade of Firm* NTS Entry Capacity between ASEPs. The applicable Exchange Rates (as defined within the Entry Capacity Transfer and Trade Methodology Statement as required under Licence Condition C8D of National Grid NTS's Gas Transporter Licence) between ASEPs for such trade and transfers are proposed to be calculated in accordance with the Entry Capacity Transfer and Trade Methodology Statement. For clarity, implementation of this Modification Proposal is dependent upon Authority approval of this Statement.

In light of these new Licence Obligations, this Proposal seeks to amend the UNC to allow Users to request such Exchange Rates (to be referred to as "Transfer Rates" within this Proposal) and undertake Transfers (for the purposes of this proposal a transfer is where Firm Unsold NTS Entry Capacity* at one ASEP has been allocated to another ASEP as part of the Trade and Transfer Auction) and Trades (for the purposes of this Proposal a trade is where a User has offered to surrender Firm NTS Entry Capacity at an ASEP as part of the Trade and Transfer Auction process and this Capacity has subsequently been allocated) of Firm NTS Entry Capacity.

The auction process will be driven by ASEPs that are classified as "Recipient" ASEPs. For the purpose of this Modification Proposal a Recipient ASEP is an ASEP at which (for a given period of one calendar month), of the Firm NTS Entry Capacity that National Grid NTS is obliged to make available up to the date of the auction, no more than the minimum permitted sale quantity remains unsold, taking into account all Firm NTS Entry Capacity sold via the current auction processes.

National Grid NTS will identify the relevant months (Available Months) for the auction; i.e. months where there are one or more Recipient ASEPs and publish these as part of the invitation process. For the purposes of this Proposal National Grid NTS will only consider Available Months that fall within the period November 2007 to March 2008 inclusive. For clarification Users shall be able place bids at all ASEPs within a zone where there is both a Recipient ASEP and an Available Month.

Furthermore, to ensure that entry capacity is not traded or transferred away if it is required at the ASEP at which it was originally made available, such capacity will firstly be made available at that ASEP, at an ASEP-related market price for that ASEP. For the Sold Capacity this will be greater than or equal to the weighted average price paid at the AMSEC auction held in May '07. In relation to the unsold capacity – this will be made available with a reserve price equal to the reserve price at the ASEP in the May '07 AMSEC auction..

All Available Capacity will be initially made available for sale at the ASEP at which it was originally made available. Once this initial allocation process has been completed any remaining volume of Capacity will be made

available for the trades and transfers process. The proposed process to allow Users to seek to Transfer and Trade Firm NTS Entry Capacity is outlined below:

Transfer Initiation Process

1. In the event that any ASEP, for relevant months with existing physical capability (as deemed by National Grid NTS) above its Obligated Firm NTS Entry Capacity level (for the purposes of this Proposal “Obligated Firm NTS Entry Capacity” is Firm Capacity that National Grid NTS is required, pursuant to its Gas Transporter Licence to accept an application for or otherwise allocate), that has sold-out for any Available Month (i.e. November '07 to March '08) as part of the 2007 Annual Monthly System Entry Capacity* (AMSEC) Auction National Grid NTS will hold pay as bid auctions (the Trade and Transfer Auctions). This will facilitate the Trade and Transfer of Firm NTS Entry Capacity between ASEPs to meet the User’s requirements from the Trade and transfer Auction.
2. National Grid NTS will identify which ASEPs are in which zone for the purposes of the Trade and Transfer Auction, reflecting the physical capability of the System.
3. Within [ten (10)] business days of the implementation date of this Modification Proposal National Grid NTS will identify and publish a list of Recipient ASEPs and the relevant months per Recipient i.e. where the Recipient ASEP is sold out (Available Month). The auction rounds will only consider the Available Months that fall within the period November 2007 to March 2008 (inclusive).
4. To reduce the potential number of Exchange Rates, Users will have 2 business days to request one or more of the potential Recipient ASEPs and the Available Months to be included in any of the Trade and Transfer Auction Rounds on a good faith basis (for clarification National Grid NTS will include neither Recipient ASEPs nor Available Months that have not been requested at this stage).

Trade Initiation Process

5. National Grid NTS will publish, 2 business days after receiving the User requests:
 - a. A definitive list of Recipient ASEPs to be included in all of the Trade and Transfer Auction Rounds as Recipients.
 - b. Available Months for each Recipient ASEP (November 07 to March 08 inclusive).
 - c. Information on the Nodal Allocation Maximum (as defined

- within the Entry Capacity Transfer & Trade Methodology Statement) of each Recipient ASEP for each Available Month.
- d. Information on the Zonal Allocation Maximum (as defined within the Entry Capacity Transfer & Trade Methodology Statement) for each zone per Available Month calculated in accordance with the Entry Capacity Transfer & Trade Methodology Statement.
 - e. The applicable Exchange Rate within zone as calculated according to the Entry Capacity Transfer & Trade Methodology Statement.
 - f. Exchange Rates between each zone for each Available Month as calculated according to the Entry Capacity Transfer & Trade Methodology Statement
 - g. A merit order of ASEPs per zone applicable to within-zone transfers and out-of-zone transfers, as determined according to the Entry Capacity Transfer & Trade Methodology Statement.
 - h. A list of non Recipient ASEPs and the amount of Unsold NTS Entry Capacity available at each, per Available Month
 - i. The reserve price and weighted average price of successful bids for each recipient ASEP at the May 07 AMSEC auction.
6. For each Available Month Users will be invited to make available Capacity (for the purposes of this Proposal such Capacity will be described as surrendered Capacity) from their Firm NTS Entry Capacity holdings, at any ASEP (if this surrendered Capacity is subsequently allocated, this will effect a trade of NTS Entry Capacity). Users wishing to take part in the process must, within two (2) business days of the invitation being issued, provide the following information to National Grid NTS:
- a. The maximum amount of Capacity per ASEP per Available Month that they are committing to surrender in the Trade and Transfer Auction process (applicable to all auction rounds).
 - b. Confirmation that the User holds the Capacity and will continue to hold the Capacity until the Trade and Transfer Auction allocation process is complete.
 - c. Where such confirmation as required in 6b is not received National Grid NTS will not utilise such Capacity within the Trade and Transfer Auction process.

Auction Invitation

7. National Grid NTS will issue an invitation to participate in Round 1 of the Trade and Transfer Auction within five (5) business days of the close of the trade initiation process. Round 2 of the Auction will take place within ten (10) business days of round 1.
8. National Grid NTS will publish the following information:
 - a. A definitive list of ASEPs to be included in the Trade and Transfer Auction as Recipients.
 - b. Available Months for each Recipient.
 - c. Nodal Allocation Maximum (as defined within the Entry Capacity Transfer & Trade Methodology Statement) of each Recipient ASEP for each Available Month.
 - d. Available Capacity for Allocation in each auction round in the Trade and Transfer Auction for each zone per Available Month. The Available Capacity for Allocation will be determined by the difference between the Zonal Allocation Maximum and the sum of Firm NTS Entry Capacity and increased by any Capacity offered for surrender by Users in the Trade Initiation Process (for that zone).
 - e. The applicable Exchange Rate within zone as calculated according to the Entry Capacity Transfer & Trade Methodology Statement.
 - f. Exchange Rates between each zone for each Applicable Month as calculated according to the Entry Capacity Transfer & Trade Methodology Statement.
 - g. A merit order of ASEPs that will be applied in the allocation process of the Trade and Transfer Auction, for each zone for each Available Month.
 - h. All non Recipient ASEPs and the amount of Available Capacity per Available Month per ASEP.
 - i. The dates of applicable auction rounds.
 - j. The reserve price and weighted average price of successful bids for each recipient ASEP at the May 07 AMSEC auction.

Trade and Transfer Auction bids

9. Users may bid for Monthly NTS Entry Capacity at a Recipient ASEP for those Available Months published in the Auction

Invitation and communicated within the Trade Initiation Process.

10. For clarification Users may also bid at any non Recipient ASEP that has Available Capacity for any month that is an Available Month for one or more Recipient ASEPs.
11. A bid in respect of an Available Month must state:
 - a. the identity of the User;
 - b. the ASEP;
 - c. the month;
 - d. the amount of Monthly NTS Entry Capacity applied for (in kWh/Day for each Day of the Relevant Month);
 - e. the minimum amount (not less than the Minimum Eligible Amount*) of Monthly NTS Entry Capacity which the User is willing to be allocated; and
 - f. the Bid Price*, which must not be less than the Reserve Price* applying at the ASEP (in the AMSEC auction) in pence/kWh. For bids for sold capacity this will be not less than the weighted average price paid at the AMSEC auction.
12. A User may have, at any one time, in aggregate up to, but not more than, three (3) Capacity bids in respect of each Month at each ASEP (applicable in each round).
13. A User may submit bids, and thereafter withdraw or amend as required between the period 08:00 hours and 17:00 hours.
14. National Grid NTS will reject a bid (and it will therefore not be part of the allocation process described below):
 - a. where any of the above requirements are not met; or
 - b. where the transportation credit arrangements require us to do so (as set out in UNC Sections B2 and V3) against a User; or
 - c. if a User submits more than three (3) bids per ASEP, per Available Month, National Grid NTS may reject all of that User's bids for the same ASEP and the same Available Month.

Bid Allocation Process

15. Users' bids for an Available Month will be allocated as follows:

At the ASEP

- a. Where there is a Recipient with an Available Month an allocation process will be initiated for that Month.
- b. All Capacity bids submitted at an ASEP will be ranked in order of Bid Price (the highest price ranking first); i.e. a bid stack is created. Where equal priced bids are submitted (equal in price to four decimal places), National Grid NTS will rank them according to time stamp and according to the earliest time-stamped bid.
- c. Available Capacity for Allocation will be allocated to the highest ranked bid first, and then to each subsequent ranked bid in accordance with the following process;
 - i. For a bid at an ASEP where the Bid Quantity is less than the Available Quantity, the bid is allocated in full
 - ii. For a bid at an ASEP where the bid if allocated is up to or greater than remaining Available Capacity for Allocation - where the Bid Amount* requested exceeds the available Capacity for Allocation (taking into account any previous allocations), the User will (subject to following paragraphs) be allocated the remaining unallocated amount;
 - iii. Where the allocated amount would be less than User specified minimum amount - the bid will be rejected and the process will consider the next bid in the stack (sorted on price and timestamp)
- d. In the above allocation process, Capacity will be allocated in accordance with the following:
 - i. For each allocated bid at an ASEP, National Grid NTS will initially reduce the amount of Unsold Capacity followed by Surrendered Capacity at an ASEP by the total amount allocated. Any such amounts are therefore deemed to have been sold for the purposes of National Grid NTS' obligations under its Gas Transporters Licence to make available Obligated Firm NTS Entry Capacity amounts; and

within zone

- e. Where there is a Recipient with an Available Month a within zone allocation process will be initiated for that Month.

- f. All Capacity bids submitted in relation to all ASEPs within the zone will be ranked in order of Bid Price multiplied by Exchange Rate (the highest price ranking first); i.e. one bid stack is created. Where equal priced bids are submitted (equal in price to four decimal places), National Grid NTS will rank them according to time stamp and according to the earliest time-stamped bid.
- g. Available Capacity for Allocation will be allocated to the highest ranked bid first, and then to each subsequent ranked bid in accordance with the following process;
 - i. For a bid at an ASEP where the bid if allocated is up to or greater than remaining Available Capacity for Allocation - where the Bid Amount* requested exceeds the available Capacity for Allocation (taking into account any previous allocations), the User will (subject to following paragraphs) be allocated the remaining unallocated amount;
 - ii. For a bid at a Recipient ASEP where the Bid Amount, if allocated, will result in greater than the Nodal Allocation Maximum at a Recipient ASEP - where the Bid Amount exceeds the amount of Monthly NTS Entry Capacity remaining unallocated within the Nodal Allocation Maximum level at that Recipient ASEP (taking into consideration any previous allocations to or from that Recipient ASEP), the User may only (subject to the following paragraphs) be allocated an amount equal to the remaining unallocated amount at that Recipient ASEP, and no further allocation shall be made in respect of that Recipient ASEP;
 - iii. For a bid at a non Recipient ASEP, where the Bid Amount, if allocated, results in greater than the Obligated level of Firm NTS Entry Capacity at that ASEP - where the Bid Amount exceeds the amount of Monthly NTS Entry Capacity remaining unallocated within the Obligated level of NTS Entry Capacity at that non Recipient ASEP (taking into consideration any previous allocations to or from that non Recipient ASEP), the User may only (subject to the following paragraphs) be allocated an amount equal to the remaining unallocated amount within the Obligated level at that non-Recipient ASEP, and no further allocation shall be made in respect of that non Recipient ASEP;
 - iv. Where the allocated amount would be less than User specified minimum amount - the bid will be

rejected.

- h. In the above allocation process, Capacity will be transferred from an ASEP in accordance with the following:
 - i. For each allocated bid at an ASEP, National Grid NTS will initially reduce the amount of Unsold Capacity followed by Surrendered Capacity at an ASEP or ASEPs by the total amount allocated multiplied by the Exchange Rate. Any such amounts are therefore deemed to have been sold for the purposes of National Grid NTS' obligations under its Gas Transporters Licence to make available Obligated Firm NTS Entry Capacity amounts; and
 - ii. Under (i) above, National Grid NTS will satisfy a bid at an ASEP from the available Capacity at ASEPs according to the merit order published in the Auction invitation, subject to any previous allocated volumes.

out of zone

16. Following completion of the process above where there is a Recipient ASEP with an Available Month that has an amount of Monthly NTS Entry Capacity remaining unallocated within the Nodal Allocated Maximum (taking into consideration any previous allocations to that Recipient ASEP) an out of zone allocation process will be initiated for that Month.
 - a. For each ASEP that has either Unsold or Surrendered NTS Entry Capacity available (taking into consideration any previous allocation to or from the ASEP) and is within a zone that has Available Capacity for Allocation (taking into consideration any previous allocations) a bid stack will be created.
 - b. All remaining unallocated bids will be translated into a bid (Translated Bids) at each relevant ASEP, using the inter zone Exchange Rates (as defined within the Entry Capacity Transfer & Trade Methodology Statement) published in the Auction invitation. By translating a bid National Grid NTS will create a Bid Value (Bid Price * Exchange Rate).
 - c. Bids will be ranked in order of Bid Value, the highest valued ranking first, i.e. one bid stack is created for each relevant ASEP. Where equal valued bids are submitted National Grid NTS will rank them according to time stamp

and according to the earliest time stamped bid.

- d. ASEPs within a zone will be ranked according to the merit order published in the Auction invitation.
- e. Available Capacity for Allocation will be allocated to the highest ranked bid across all relevant ASEPs first, taking into account the merit order of ASEPs, and then to each subsequent ranked bid in accordance with the following process;
 - i. For a bid at an ASEP where the bid, if allocated is up to or greater than the remaining Available Capacity for Allocation - where the Bid Amount requested exceeds the available Capacity for Allocation (taking into account any previous allocations), the User will (subject to following paragraphs) be allocated the remaining unallocated amount
 - ii. For a bid at a Recipient ASEP where the bid, if allocated, will result in greater than the Nodal Allocation Maximum at a Recipient ASEP - where the Bid Amount exceeds the amount of Monthly NTS Entry Capacity remaining unallocated within the Nodal Allocation Maximum at that Recipient ASEP (taking into consideration any previous allocations to or from that Recipient ASEP), the User may only (subject to the following paragraphs) be allocated an amount equal to the remaining unallocated amount at that Recipient ASEP, and no further allocation shall be made in respect of that Recipient ASEP;
 - iii. For a bid at a non Recipient ASEP, where the bid, if allocated, results in greater than the Obligated level of Firm NTS Entry Capacity at that ASEP - where the Bid Amount exceeds the amount of Monthly NTS Entry Capacity remaining unallocated within the Obligated level at that non Recipient ASEP (taking into consideration any previous allocations to or from that non Recipient ASEP), the User may only (subject to the following paragraphs) be allocated an amount equal to the remaining unallocated amount within the Obligated level at that non Recipient ASEP, and no further allocation shall be made in respect of that non Recipient ASEP;
 - iv. Where the allocated amount would be less than User specified minimum amount - the bid will be

disregarded.

- f. Where a bid is fully satisfied all associated bids at the same ASEP for the same Available Month are subsequently rejected.
 - g. In the above allocation process, Capacity will be transferred from an ASEP in accordance with the following:
 - i. For each allocated bid, National Grid NTS will initially reduce the amount of Unsold Capacity, followed by the Surrendered Capacity, at an ASEP or ASEP according to the bid amount and taking into account the applicable exchange rate. Any such amounts are therefore deemed to have been sold for the purposes of National Grid NTS' obligations under its Gas Transporters Licence to make available Obligated Firm NTS Entry Capacity amounts; and
17. For the avoidance of doubt, Users will pay Capacity charges as for the AMSEC auction i.e. allocated bid amount multiplied by the relevant bid price for each Available Month.

Treatment of Capacity Made Available by Users

18. Where Capacity made available by Users in the Trade Initiation Process has resulted in a given trade (been allocated);
- a. As part of the 'at the ASEP bid allocation process' the Users will receive a bid price that is greater than the weighted average price paid at the AMSEC auction held in May '07
 - b. As part of 'within zone' and 'out of zone bid allocation processes the Users will receive a bid price based on the amount(s) allocated multiplied by the relevant Exchange Rate(s). The User's holdings at the ASEP where the Capacity was made available will be reduced accordingly.
19. Where Capacity that was made available by Users in the Trade Initiation Process has not been allocated, the Users holdings at the ASEP where the Capacity was made available will remain unchanged.

Results Publication

20. After the auction rounds,, National Grid NTS will provide to Users their allocations within ten [10] Business Days after completion of each Auction round and thereafter within a further two (2)

Business Days the following information to all Users:

- a. in respect of each ASEP for each Available Month:
 - i. the highest, lowest and weighted average price of all accepted bids;
 - ii. the aggregate amount of Monthly NTS Entry Capacity allocated;
 - iii. the total Capacity sold
 - iv. the total number of Users that submitted successful bids;
 - v. the total number of Users that submitted unsuccessful bids;

Contingency Arrangements

21. It is proposed that the following contingency arrangements are implemented:

- a. In the event that the proposal is not implemented prior to the 2007 QSEC Auction invitation being issued or during the the 2007 QSEC auction period, ScottishPower Energy Management proposes that the Trade and Transfer Auction be held on the first reasonably practical business day after the final QSEC auction round has closed.
- b. In the event that this Proposal is implemented on such a date that prevents National Grid NTS from completing the Trade and Transfer Auction and Allocation process prior to the commencement of the Capacity Month for which the NTS Entry capacity has been bought, that Capacity Month will be excluded from the Trade and Transfer Auction. It is assumed for the purposes of this mod that there will be no trade and transfer allocation for the month of October 2007.

b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)

Scottish Power requests that this Modification Proposal be considered by GEMA **in conjunction with existing Modification Proposal 0169**. The differences between this Proposal and 0169 are straightforward and should now hopefully have been clarified for market participants. Given the minor additional changes in this Proposal form 0169 (regarding the provision to offer at the ASEP first), we believe that this Proposal merits urgency on the

same basis as that given to Mod 0169:

1) There is a real likelihood of significant commercial impact upon Gas Transporters, Shippers or Customers if a proposed modification is not urgent;

If this proposal is implemented ahead of this winter it will provide Users with a mechanism to transfer and trade NTS entry capacity to ASEPs where demand for capacity is currently greater than obligated firm levels. Therefore this should reduce the likelihood of gas being stranded offshore due to insufficient capacity being available.

3) The proposal is linked to an imminent date related event

This proposal needs to be implemented in advance of the forthcoming winter period, 1st November 2007 – 31 March 2008.

We suggest the following timetable, to be agreed with Ofgem:

Ofgem grant urgency status - 14/08/2007

Proposal issued for consultation - 14/08/2007

Close out of representations - 17/08/2007

FMR issued by Joint Office to Modification Panel - 21/08/2007

Modification Panel decide upon recommendation - 23/08/2007

Ofgem decision expected - 30/08/2007

Proposed implementation date - 31/08/2007

- c) **Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.**

Scottish Power requests that this Modification Proposal proceeds direct to consultation on urgent timescales. We do not believe it needs further development since it is based on Mod 0169, with the differences having been discussed (in relation to 0163 and 0163V) with the transmission workstream and the modification panel.

2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives

Standard Special Condition 11 1.(a)

Implementation of this Proposal would remove the inefficiency of being able to transfer or trade capacity away from where it was required, at a storage site or other entry point.

Standard Special Condition 11 1.(d)

Implementation of this Proposal would enhance competition by taking away the ability to game and shut down specific ASEPs. This possibility would also present a barrier to entry for people interested in developing new entry points.

Standard Special Condition 11 1.(e)

Implementation of this Proposal would enhance security of supply for domestic customers because it would ensure that storage sites or entry points cannot be shut down. In a gas deficit, or at periods of high demand, it will ensure that gas can flow from these facilities.

3 The implications of implementing this Modification Proposal on security of supply, operation of the Total System and industry fragmentation

Implementation would help maintain the level of storage available to the market in the event of a gas deficit emergency and at periods of high demand. It would also mean that capacity could not be transferred away from entry terminals where it is required to flow gas into the system.

4 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

a) The implications for operation of the System:

No adverse implications have been identified. Greater efficiency of capacity allocation could potentially reduce the requirement for the National Grid NTS to take balancing actions.

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

It is believed that the consequences for Entry Capacity income would be neutral.

c) Whether it is appropriate to recover all or any of the costs and, if so, a Proposal for the most appropriate way for these costs to be recovered:

Existing mechanisms would be applied to redistribute Entry Capacity income.

d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

No such consequence has been identified.

5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)

No such requirement has been identified.

6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users

No such implications have been identified.

7 The implications for Users of implementing the Modification Proposal, including:

a) The administrative and operational implications (including impact upon manual processes and procedures)

Will constitute an amendment to the trades and transfer methodology in 0169 as described in the mod above. The implications are similar to that mod.

b) The development and capital cost and operating cost implications

These would be similar to those identified for the Proposal 0169 but Users wishing to acquire capacity at the ASEP that capacity was surrendered would probably face less costs (and consequential costs which could be very substantial) than under that Proposal.

c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

Implementation would reduce the risk of gas being stranded at individual ASEPs due to the speculative behaviour of others that have obtained all available capacity at that ASEP.

8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)

Under the proposed arrangements, where storage operators operate at a site with no third party access, i.e. only one party is actually using the ASEP, all the capacity required can be transferred away from the site – including interruptible rights. This proposal will ensure that in such circumstances, there are still firm rights available for those who need to operate the site.

Also, this will prevent people from being able to take capacity away from any ASEP where it is most required and there is unsatisfied demand.

9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters

No such consequences have been identified

10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above

Advantages

- Will avoid gas in storage being stranded and unable to be brought into market when needed this coming winter.
- Will avoid inefficiencies associated with moving capacity away from an Entry point where it is required.

- Reduces the potential for speculative behaviour, gaming and hoarding

Disadvantages

- Potentially, people can buy capacity at the ASEP to prevent it going through the trades and transfer process, (although there is no commercial incentive to do so).

11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)

12 Detail of all other representations received and considered by the Proposer

Representations have been considered for the related mod proposal 0163, leading to clarification notes and variant 0163V being raised. Taking these representations into account, particularly with reference to the auction process itself which the earlier modification did not include and discussions with panel members, this new proposal has been raised as an alternate to 0169. The existing mod proposal 0163V (there was legitimate concern over its status as a modification to existing code) has been withdrawn

13 Any other matter the Proposer considers needs to be addressed

14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal

15 Comments on Suggested Text

To be advised

16 Suggested Text

To be advised

Code Concerned, sections and paragraphs

Uniform Network Code

Transition Document

Section(s) IIC and UNC TPD Section B

Proposer's Representative

Steve Gordon (ScottishPower Energy Management)

Proposer

Steve Gordon (ScottishPower Energy Management)

