

MODIFICATION PROPOSAL
REDUCE OVERRUN CHARGES

DATE: 1st July 1998

PROPOSED IMPLEMENTATION DATE: Immediately

URGENCY: The need to improve the energy balancing regime prior to 1 October 1998 dictates that this modification be treated as Urgent.

JUSTIFICATION:

The current high level of capacity overrun charges deters short term efficiencies in utilisation of availability capacity. This effectively discourages beach and stored gas from being brought to market at peak times. Excessive price spikes in the flexibility mechanism are caused as a result, leading to greater costs of managing unnecessary price volatility and higher prices to gas consumers.

Capacity overrun charges can be reduced without adverse effect to Transco's allowed revenue from capacity charges. Long term investment signals can be maintained.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

Less effective competition in availability of gas at peak times. Continued upward pressure on prices to gas consumers.

AREA OF NETWORK CODE CONCERNED: Sections B 2.6 (Capacity Overruns)

NATURE OF PROPOSAL:

Entry Capacity Overrun

- * Eliminate Capacity Ratchet Mechanism.
- * Quantities delivered in excess of shipper's Available Aggregate System Entry Capacity shall be deemed to flow pursuant to Transco's Interruptible Entry Service, assuming physical capacity is available.
- * The entry rate for such interruptible service shall be equal to 8 times the daily firm entry rate at that point.

PURPOSE OF PROPOSAL/ACHIEVEMENT OF RELEVANT OBJECTIVES:

The proposed modification will facilitate achievement of the relevant objectives by:

- * Promoting the efficient and economic operation of the pipeline system by enhancing system utilisation;
- * Encourage efficient discharge of Transco's obligations under its licence, including efficient balancing of the pipeline system by removing barriers to gas entry.

PROPOSER: Doug Wood

ON BEHALF OF: AGAS, Alliance Gas, Dynegy, Enron, Shell Gas Direct

SIGNED:

DATE: 29th June 1998

Reference Number: 0244