

## **TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 244a**

**SHORT TITLE: Reduce overrun charges**

**DATE:** 21 July 1998

**TARGET DATE FOR 1 October 1998**

**IMPLEMENTATION:**

**URGENCY:** To co-ordinate with developments in the energy balancing regime prior to 1 October 1998 this modification should be treated as Urgent

### **JUSTIFICATION:**

The current level of capacity overrun charges has been identified as a deterrent to short term efficiencies in utilisation of availability capacity. Shippers do not wish to incur capacity overrun charges and this effectively discourages beach and stored gas from being brought to market at peak times when the delivery of that gas would lead to an overrun being applied. If there is then a shortage of gas available to the System the outcome may be excessive price spikes in the flexibility mechanism. This in turn leads to greater costs of managing unnecessary price volatility and higher prices to gas consumers.

Capacity overrun charges can be reduced without significant 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 Point Capacity shall attract an overrun charge in accordance with Code.
- \* The relevant multiplier that is used in the calculation of the overrun charge shall be 90 times the daily rate at that point.

**PURPOSE OF PROPOSAL:**

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.

**IDENTITY OF PROPOSER'S REPRESENTATIVE:**

Mark Ripley

**PROPOSER JOHN LOCKETT**

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**MODIFICATION PANEL SECRETARY'S USE ONLY**

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