TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0445

"Changes to Monthly system Entry Capacity Calculation for February 2001 Auction"
Version 1.0

Date: 15/12/2000

Proposed Implementation Date: 15/01/2001

Urgency: Non-Urgent

Justification

This Modification Proposal is intended to accompany Modification Proposal 0444 which proposes changing the capacity period offered in Monthly System Entry Capacity (MSEC) and Monthly Interruptible System Entry Capacity (MISEC) auctions to 12 months starting on 1 April 2001. If that Proposal is approved it will be necessary to publish MSEC and MISEC quantities for the 12 month period from 1 April 2001 through to 31 March in the following year. This Modification Proposal will enable that outcome and will also enable the allocation of capacity to each Aggregate System Entry Point (ASEP) to be based upon historic gas flow for a 36-month period up to 31 December.

Transco is aware that Ofgem has indicated its preference for MSEC capacity release at each ASEP to be expanded. Increased quantities, it is suggested, could be released all year round regardless of actual demand expectations or transportation capability.

Transco remains concerned about the implications of this "top-down" approach for, amongst other things, certainty of service and the level and volatility of buy-back costs. It believes that these issues should be carefully considered by Users prior to possible implementation. As such Transco welcomes this opportunity to open a debate about quantities and entry capacity services and would welcome respondents views on the appropriateness of continuing with the present methodology for the auctions of February 2001. Thereafter Transco believes that primary capacity allocation should be discussed in parallel with the Transco Periodic Review and possible developments for long term capacity allocation.

Nature of Proposal

The Proposal is that effective from 15 January 2001, the Network Code should be amended to specify that the date by which MSEC quantities are determined will be not later than 31 December in the Preceding Year (B2.2.1). It should be noted that a transitional arrangement is proposed such that the initial quantities will be determined not later than 15 January 2001.

It is also proposed that the period considered for historic determination of Aggregate System Entry Point (ASEP) gas flow should be a 36 month period ending on 30 November in the Preceding Year (B2.2.4).

Transco would also welcome comments on the continuing validity of an MSEC allocation based on 110% of Seasonal Normal Demand (SND).

Purpose of Proposal

The Modification Proposal is intended to enable the MSEC quantities determined in the Network Code to be determined at a time that is in keeping with an annual entry capacity release that is proposed to be held in February of each year. The use of up to date information and timely publication of the material will tend to foster efficient operation of the pipeline system.

Consequence of not making this change

If this Proposal is not approved, whilst Modification Proposal 0444 does gain approval, then Transco will have failed to publish MSEC quantities by the date required in the Network Code (i.e. Not later than 30th June in the Preceding Year) The quantities subsequently offered would not be allocated on a basis that takes into account recent gas flow data.

Area of Network Code Concerned

B2

Proposer's Representative

Russell D Cooper (Transco)

Proposer

Tim M Davis (Transco)

Signature

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