

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0581

" Availability of Surrendered Entry Capacity "
Version 1.0

Date: 28 August 2002

Proposed Implementation Date: 01/10/2002

Urgency: Non-Urgent

Justification

Following the implementation of Modification 559 "Changes to Buy-Back Liabilities", Users holding any form of firm System Entry capacity at the end of the gas day will incur a share of any buy-back liability from Transco's actions in re-acquiring Entry Capacity. As a part of this development, Transco have offered, with reasonable endeavours, to relieve Users of any unused Entry Capacity at 17.00hrs at zero cost, in order that this liability may be reduced.

There may be circumstances where this capacity could be made available later in the same gas day. In which case Transco should be obliged to offer this capacity for use by any User. Transco should not be in a position to be able to generate any additional revenue by re-sale of Entry Capacity acquired in this way. Therefore this capacity should be available at zero cost.

Although we recognise that this Modification has been raised in close proximity to the conduct of the short term auction for system Entry Capacity, we do not believe that it will have any impact upon the product which has been acquired in this process. The primary driver for this modification is to ensure that there is no unnecessary withholding of available capacity from the market which could impact upon the ability of Transco and Users to efficiently balance the system, particularly after a buyback action which might result in a total system balancing requirement.

Nature of Proposal

Following the surrender of any Entry Capacity by a User to Transco under this mechanism introduced with Modification 559, Transco will continue to assess whether any of this capacity can be re-offered to Users in light of changing circumstances. If in Transco's assessment it is possible to release additional capacity later than 17.00hrs on the gas day, this must be made available to any User at zero cost.

Purpose of Proposal

This proposal would ensure that the maximum amount of capacity was made available late in the day in order to remove any unnecessary restriction upon gas flowing onto Transco's system. This proposal would also enable Users to acquire capacity later in the day as we believe that this mechanism where Transco will accept capacity surrenders at zero cost at 17.00 will undermine any sales on a secondary market which may have otherwise taken place.

Consequence of not making this change

Quantities of capacity, which could otherwise have been utilised, would be withheld from Users and would in turn constrain the amount of gas able to flow on to Transco's system. This could result in price distortions and inefficient balancing actions. If this capacity were released to Users for anything other than a zero cost, this would generate revenue outside that allowed under Transco's Price Control and incentive regime.

Area of Network Code Concerned

Section B

Proposer's Representative

Mike Young

Proposer

Mike Young
Commercial Manager, Gas Transportation
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Signature

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