

Draft Modification Report
Obligation on Transco to publish TFA data
Modification Reference Number 0593
Version 2.0

This Draft Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

The Proposer stated that :

Obligation to publish information and method of publication

Transco should be obliged to publish detailed information regarding any (and all) TFAs (Transportation Flow Advice) issued since 1 October 2002.

For TFAs issued after the date of implementation of this modification, this information should be published the day after the Gas Day for which the TFA was issued. For TFAs issued before the date of implementation of this modification, information should be published within one day of implementation.

Transco should publish all information relating to TFAs on the information exchange website, as soon as is practically possible after the implementation of this modification. During any intervening period, Transco should use the Shipper Information System and/or fax communication to provide the data to shippers.

Information to be published

Transco should confirm whether, in Transco's view, the TFA was issued for 'Gas Quality' or 'Capacity' purposes.

In relation to 'Gas Quality' TFAs, Transco should publish a brief description of why it was necessary to issue the TFA for each ASEP where a TFA was in place (i.e. what characteristic of the gas being delivered was not within Network Code entry specifications). For each ASEP where a TFA was issued, Transco should also publish details of the time that the TFA was put in place, its duration and specific details of the entry flow restrictions that applied whilst the TFA was in place.

In relation to 'Capacity' TFAs, Transco should publish information relating to each ASEP where a TFA was issued. For each ASEP, Transco should publish whether the TFA was temporary or permanent (i.e. whether it applied for part of the Gas Day or until the end of the Gas Day). Transco should also publish the time that the TFA was put in place, the duration of the TFA and specific details of the entry flow restrictions that applied whilst the TFA was in place.

2. Transco's Opinion

Whilst Transco supports the principle of the Proposal, consistent with its position on the provision of operational and market information in general, the precise content of the information that Transco would be required to publish could be deemed as commercially

sensitive and is therefore the cause of some concern. Transco recognises that it is reasonable to signal the cause of category of TFA, being either capacity or quality related, and it considers that such information is adequate to inform Users whether gas properly tendered for delivery has not secured entry to the system. Transco therefore notes that implementation would impose a further information provision burden on Transco without any well defined benefit. However Transco notes the desire of some Users that extra information and greater transparency would be welcomed. Industry players have suggested that there might be commercial confidentiality issues associated with such release and Transco would particularly welcome representations on this issue.

Transco observes that the justification of the Proposal is to provide greater certainty to System Users that TFAs are being used appropriately and to enable Shippers to assess whether they are entitled to compensation under Section I of the Network Code.

Under the present arrangements, Transco notifies Shippers of the occurrence of a TFA and the entry terminal to which it applied on the following day of the TFA via the Operational Summary on the Shipper Information Service. Transco would be willing to enhance this by specifying the nature of the TFA (i.e. Gas Quality related or Capacity related), and in respect of "Capacity" related TFAs, details of flow quantities as described in the Modification Proposal. Network Code Section I does not provide for Shippers to claim for compensation in respect of "Gas Quality" TFAs.

In considering whether to submit a claim, Shippers do so primarily on the flow information received from the DFO ("Delivery Facility Operator") which indicates whether their flows have been affected. Therefore, in Transco's view, shippers only need to be notified by Transco that a TFA has occurred, the relevant ASEP to which it applies, and the nature of the TFA (i.e. Gas Quality or Capacity).

The requirement on DFOs to inform Transco of expected end of day quantities (contained in Delivery Flow Notifications or "DFNs") and gas specification is contained in the relevant Network Entry Agreements (NEAs) or Local Operating Procedures for that sub-terminal. The disclosure of this by DFOs is restricted to Transco alone, and is done so to enable the safe operation of the System. The disclosure of information to the public domain, to the level of detail described by the Proposal, for TFAs relating to Gas Quality reasons could well be opposed by a number of Industry parties, and Transco would welcome views in this respect.

3. Extent to which the proposed modification would better facilitate the relevant objectives

The Proposer argues that implementation would allow Shippers to monitor Transco's use of TFAs more effectively and claim compensation, where firm capacity rights have been affected. This would build greater confidence and understanding in the capacity arrangements and would lower shipper's perception of risk. Implementation would, in the Proposer's view, also ensure that Transco uses TFAs only when necessary and that Transco also faces some of the costs associated with using TFAs to manage constraints under its SO

incentives. This would, over time, lead to more efficient operation of the System by Transco and facilitate competition between shippers and suppliers.

In Transco's opinion, since all the relevant information is already disseminated, this proposal would not effect either the ability or probability that a User would claim compensation for capacity related TFAs. Transco would also contend that implementation should not be expected to lead to more efficient operation of the System since the use of TFAs would not be altered.

**4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:**

Transco would anticipate no implications for the operation of the System.

b) development and capital cost and operating cost implications:

The publication of the detailed information envisaged by the Proposal would be via the shipper information service or the Information Exchange web-site and therefore implementation would not be expected to lead to a significant in development costs. Any increase in ongoing costs would not be expected to be significant.

c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:

Any costs would be shared with Users under the terms of Transco's SO incentive scheme.

d) analysis of the consequences (if any) this proposal would have on price regulation:

Transco anticipates there would be no such consequence.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal

Transco anticipates there would be no such consequence.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

The publication of the information described in the Proposal would be via existing computer systems and no such development implications would be expected.

7. The implications of implementing the Modification Proposal for Users

Users would receive detailed information both in respect of each TFA that Transco declares following implementation of the Proposal, and for each TFA that has been declared since 1 October 2002.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

The likelihood of Terminal Operators facing consequential claims from shippers for failure to meet contracted deliveries could increase as a result of the provision of detailed information on Gas Quality TFAs at a sub-terminal level.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

Implementation could place Transco in a position of having to disclose information that is deemed by the DFOs as commercially sensitive without the consent of the affected party.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages :

Provides additional information to Shippers associated with each TFA issued by Transco.

Disadvantages :

Transco would be required to publish information at a sub-terminal level that could be deemed by the DFOs without the consent of the affected party.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representations are now sought as part of the Draft Modification Report.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

No such requirement exists in respect of the Modification Proposal.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

No such requirement exists in respect of the Modification Proposal.

14. Programme of works required as a consequence of implementing the Modification Proposal

As no changes to Transco's UK Link system are envisaged, a Programme of Works has not been completed.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

The development of an implementation timetable is subject to the Ofgem decision on the Proposal.

16. Recommendation concerning the implementation of the Modification Proposal

Transco would like to consider views before making a final recommendation on the Proposal.

17. Text

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report

Signed for and on behalf of Transco.

Signature:

Tim Davis
Head of Regulation NT&T

Date: