Draft Modification Report
Provision of Shrinkage Information : Gas Procurement & Disposals
Modification Reference Number 0692

Version 1.0

This Draft Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

In respect of each Gas Day, the Shrinkage Provider should publish gas procurement and disposal information associated to the Transco NTS SO incentives as described in Special Condition 28B (8) (g).

i. The net quantity of gas purchased and sold* (kWh).
ii. The quantity of gas purchased (kWh).
iii. The quantity of gas sold* (kWh).
iv. The total number of buy and sell* trades executed.
v. The weighted average price of all buys (p/kWh).
vi. The weighted average price of all sells* (p/kWh).
vii. The minimum price at which the gas was bought (kWh).
viii. The maximum price at which the gas was bought (kWh).
ix. The minimum price at which the gas was sold* (kWh).
x. The maximum price at which the gas was sold* (kWh).

* where occurred

This information should be provided to Users in a readily accessible form, and in a timely manner. The frequency of publication should be aligned to the Shrinkage Provider's internal operational and administrative activities that process and collate this type of information. The information would be published daily, each business day following D+5.

2. Transco's Opinion

Transco has based this Proposal on Modification Proposal 0618 'Publication of shrinkage provider gas procurement and disposal information" that was raised by London Electricity but subsequently rejected by Ofgem. In its decision letter regarding Proposal 0618, Ofgem noted Transco's concerns that the provision of ex ante information could place the Shrinkage Provider in a distressed commercial. To address these concerns this revised Proposal excludes the categories of ex ante information.

Transco recognises the industry's desire for greater information provision and increased transparency of incentivised activities and is supportive of such initiatives where the benefits can be quantified and demonstrated.

Transco also acknowledges that the provision of this particular dataset may assist those Users

and Non-Network Code Parties that may wish to monitor the performance of Transco in the operation of its Shrinkage Provider activites against the NTS SO incentives.

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

This Modification Proposal may, if implemented, better facilitate the relevant objectives of the efficient and economic operation of the pipeline system for the following reasons:

- Increase competition between Users for the provision of gas procurement and disposal arrangements to the Shrinkage Provider thus reducing the cost of shrinkage provision and may improve liquidity in the market for shrinkage gas management services;
- Enable Users and Non Network Code Parties to monitor Transco's performance in relation to its Licence obligations and NTS SO incentives;
- Improve transparency in relation to the Shrinkage Provider's NTS gas procurement and disposal activities in the gas market.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

Transco anticipates there would be no such implications.

b) development and capital cost and operating cost implications:

Transco anticipates that there would be computer system development costs in the order of £20,000.

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 NTS SO costs would be shared with Users through the operation of the internal cost element of the SO incentive scheme arrangements.

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

Transco anticipates that the implementation of the Modification Proposal would have 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 that the implementation of this Modification Proposal would have no such consequence.

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

New computer systems and processes will be required to support the implementation of this

Modification Proposal, should Ofgem so direct.

Transco is supportive of the provision of timely and accurate information on an equitable basis and as such, anticipates that this data will be published electronically via the Transco Information Exchange website. The data will be available to users of the website in both viewable and downloadable formats, for example, PDF and Excel respectively.

The rationale behind the proposed implementation date (1st October 2004) of this Modification Proposal is publication via the Information Exchange website has a technical dependency on an internal Transco IS project that will result in an upgrade to the hardware and software that supports the website. The objective of the technical upgrade is to improve Information Exchange system performance and enhance its capability for the future development of information provision, including the implementation of this Proposal. The planned implementation date of the technical upgrade is September 2004.

7. The implications of implementing the Modification Proposal for Users

Transco would welcome representations from Users in this respect.

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

Transco would welcome representations in this respect.

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 of this Modification Proposal would oblige Transco to publish information relating to the Shrinkage Provider's activities of gas procurement and disposals to Users and, to a wider, public (Non-Network Code Party) audience.

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

Advantages:

1. Provides additional transparency of Transco's Shrinkage Provider activities in relation to the NTS SO incentives.
2. May better facilitate competition between those participants in the market who may seek to offer system balancing services to Transco.
3. The information will be widely available to all participants in the market in an equitable and timely manner.

Disadvantages:

1. Dependent on the liquidity of the gas market, the provision of this information (even at D+5) could place the Shrinkage Provider in a distressed commercial (buyer or seller) position.

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

Transco is now seeking Representations.

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

Implementation of this Modification Proposal is not required to satisfy these requirements.

14. Programme of works required as a consequence of implementing the ModificationProposal

The required system changes should this Modification Proposal be implemented have been specified by Transco with the systems delivery anticipated for 1st October 2004. The anticipated systems delivery date takes account of the dependency that it has on the technical upgrade
of the Information Exchange website that will be implemented in September 2004.

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

- Draft Modification Report issued - 26th May 2004
- Consultation period ends - 17th June 2004
- Final Modification Report issued - 8th July 2004
- Ofgem decision expected - 31st August 2004
- Systems implementation - 1st October 2004
- Effective date for the implementation of the Modification Proposal - 1st October 2004

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal is implemented.

17. Text

Draft Legal Text

SECTION N

Insert a new paragraph 4.6 as follows:

"4.6 Information Provision

4.6.1 For the purposes of this paragraph 4.6:

(a) **"relevant shrinkage disposals"** shall mean all gas disposed of by the Shrinkage Provider, which gas had previously been purchased by the Shrinkage Provider in respect of NTS shrinkage for the relevant Gas Flow Day;

(b) **"relevant shrinkage purchases"** shall mean all gas purchased by the Shrinkage Provider in respect of NTS shrinkage for the relevant Gas Flow Day;

(c) prices shall be quoted in pence per kWh and, to the extent that the Shrinkage Provider is reasonably able to do so, shall take into account any discounts or premiums applied or charged in respect of relevant shrinkage purchases or relevant shrinkage disposals, provided the amount of such discounts and premiums were known to the Shrinkage Provider at the time of the calculation of the relevant prices and were reasonably able to be applied to one or more relevant shrinkage purchases or relevant shrinkage disposals;

(d) where the Shrinkage Provider has entered into a transaction for an amount on each Gas Flow Day for a specific period it shall, for the purpose of calculating the number of transactions entered into, be deemed to be a separate transaction in respect of each and every Gas Flow Day to which it relates; and

(e) whilst all information published by the Shrinkage Provider will so far as reasonably practicable be reflective of the information in its possession at a time as close as reasonably practicable to the time of publication, it will not be reflective of information which comes into its possession subsequently (or of any subsequent relevant shrinkage purchases or relevant shrinkage disposals in respect of the relevant Gas Flow Day), will not bind Transco or the Shrinkage Provider and will be without prejudice to the provisions in this Section N and elsewhere in the Code whether to later adjustment, assessment, reconciliation or otherwise.

4.6.2 The Shrinkage Provider shall, no later than the end of the fifth Day following the relevant Gas Flow Day (or, if such Day is not a Business Day, the end of the first Business Day thereafter), publish the following information (where such information is available) in relation to relevant shrinkage purchases and relevant shrinkage disposals made in respect of that Gas Flow Day:

(a) the net quantity of gas purchased (being the quantity derived as the aggregate quantity of gas purchased pursuant to relevant shrinkage purchases less the aggregate quantity of gas disposed of pursuant to relevant shrinkage disposals);

(b) the aggregate quantity of gas purchased pursuant to relevant shrinkage purchases;

(c) the aggregate quantity of gas disposed of pursuant to relevant shrinkage disposals;

(d) the aggregate number of transactions entered into in respect of relevant shrinkage purchases;

(e) the aggregate number of transactions entered into in respect of relevant shrinkage disposals;

(f) the weighted average price of relevant shrinkage purchases;

(g) the weighted average price of relevant shrinkage disposals;

(h) the minimum price paid under a transaction for a relevant shrinkage purchase;

(i) the maximum price paid under a transaction for a relevant shrinkage purchase;

(j) the minimum price received under a transaction for a relevant shrinkage disposal; and

(k) the maximum price received under a transaction for a relevant shrinkage disposal."

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:

Richard Court
Commercial Frameworks Manager
NT & T

Date: