

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0705
"Changing the Basis for Triggering Supply Demand Interruption"
Version 3.0

Date: 09/07/2004

Proposed Implementation Date: 01/10/2004

Urgency: Non-Urgent

Justification

Shell Gas Direct (SGD) raised Network Code Modification Proposal 0699 on 19th May 2004, entitled "Amendment to Transco's interruption rights for supply/demand purposes", which was sent for development in the NT&T workstream. As a result of workstream discussions, it was agreed that the existing Transco "supply/demand interruption rights" should be amended for the forthcoming winter in order to maximise the efficient and economic use of available markets prior to resorting to a "back-stop" position which enabled Transco-initiated supply/demand interruption.

This Proposal therefore seeks to amend the existing supply/demand interruption rights set out in Network Code Section G6.7.3(c), by replacing the reference to Forecast Total System Demand with an ability to initiate such interruption where, on any day, Transco determines that there is an Operational Balancing Requirement which cannot be satisfied by the acceptance of a Market Balancing Action (because there are no or insufficient Market Offers which are operationally suitable).

This Proposal will improve the economic and efficient operation of the system by encouraging the use of the market whilst retaining the "backstop" ability to access supply and demand interruption, necessary to meet Transco's Safety Case requirement.

This Proposal will also further secure effective competition between relevant shippers and relevant suppliers by further encouraging demand management to be completed, where possible, through the market.

This Proposal will also enable Transco to set the Top-up monitor levels on the assumption that LDZ Interruptible Supply Points will not be supported by this storage. As a result there would be a reduction in the monitor levels and therefore a reduced risk of incurring counter nominations and Winter Injection Costs.

Nature of Proposal

This Proposal seeks to amend the existing supply/demand interruption rights set out in Network Code Section G6.7.3(c), by replacing the reference to Forecast Total System Demand with an ability to initiate such interruption where, on any

day, Transco determines that there is an Operational Balancing Requirement which cannot be satisfied by the acceptance of a Market Balancing Action.

Draft Legal Text

Delete G6.7.3 (c)...

“on any Day in respect of which, at any time, Forecast Total System Demand exceeds 85% of System 1-in-20 peak day demand.”

... and replace with:

“ on any Day for the purposes of Operational Balancing to the extent that Transco determines at any time on the Day that there is an Operational Balancing Requirement which cannot be satisfied by the taking of any Market Balancing Action (because there are no or insufficient offers available to Transco which are operationally suitable).”

Purpose of Proposal

By changing the supply/demand Interruption trigger, the Proposal will encourage both Transco and Users to maximise the management of supply/demand Interruption through market mechanisms.

Consequence of not making this change

The existing 85% trigger was established at the introduction of the Network Code. Transco believes that the original intent of this trigger was to protect storage stocks that are meant to support firm loads thus avoiding the use of this stored gas to support interruptible consumers. Without this ability Transco would be unable to prevent such stocks being used to the point that insufficient stocks remained to support firm load during a severe winter. In our initial Winter Outlook Report for winter 2004/5 NGT has identified a tightening of the supply and demand position for the coming winter. This tightening may result in a greater requirement for demand-side management. Without changing the existing trigger and encouraging the use of market mechanisms there may be insufficient market response at demand levels below the existing trigger. In this situation Transco would not have the right to initiate supply and demand Interruption and would therefore potentially need to declare a stage one gas supply emergency in order to gain access to emergency interruption rights. Interruption called under such circumstances would not attract payment thus preventing a market valuation of the interruption right and would not feed into cashout calculations. Emergency interruption would also generally be subject to a reduced notice period thus providing the end consumer with less time to manage the consequences of such interruption.

Area of Network Code Concerned

Section G

Proposer's Representative

Louise McGoldrick (Transco)

Proposer

Richard Court (Transco)

Signature

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