

**Draft Modification Report**  
**Transitional Arrangements to facilitate the change of status of the Isle of Grain Storage Facility to a**  
**LNG Importation Terminal**  
**Modification Reference Number 0647**  
Version 1.0

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**

For the 2004/5 Storage Year, it is proposed that transitional LNG Storage Services would be made available at the Isle of Grain Storage Facility to all Users until the earlier of:

- a) The day immediately prior to the "**Effective Date**"; or
- b) The end of the 2004/05 Storage Year.

It is further proposed that under the transitional storage services procured:

- There would be no carry-over provisions for gas-in-storage with effect from the Effective Date; and
- Mandatory Withdrawals would apply unless alternative arrangements had been made between the Users concerned and parties that had secured a service at the Isle of Grain LNG Importation Terminal with effect from the Effective Date.

**2. Transco's Opinion**

Implementation of this Proposal would ensure that LNG Storage Services would be available to Shippers at Isle of Grain for as long as possible in the run-up to importation.

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

By enabling the part-year operation of LNG Storage Services from the commencement of 2004/5 Storage Year until the Isle of Grain Storage Facility ceases to be a Storage Facility is consistent with facilitating effective competition between relevant Shippers and relevant Suppliers.

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

Transco has not identified any implications for operation of the System.

**b) development and capital cost and operating cost implications:**

No such implications have been identified.

**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:**

Transco does not propose to recover any costs that may arise from the implementation of this Modification Proposal.

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

Transco is not aware of any consequences that implementation of this Modification Proposal would have on price regulation..

**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**

Implementation of this Proposal would contain and increase the level of risk arising from its inability to offer storage services for an entire storage year.

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

The computer systems of Transco and Users would have to recognise the change of status of Isle of Grain from a Storage Facility to an Importation Terminal. Transco does not believe that the impact on the systems would be major.

**7. The implications of implementing the Modification Proposal for Users**

Users would only be able to book LNG Storage Services for part of the 2004/5 Storage Year and be required to withdraw their gas-in-store by the Effective Date. Users would, however, be expected to take this into account when participating in the Annual Storage Invitation.

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

It would be expected that any savings or additional costs arising from a part-year operation would be passed on to Suppliers to take this into account when participating in the Annual Storage Invitation.

**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**

Transco is not aware of any consequences arising through implementation of the Modification Proposal.

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

Advantages: Implementation of this Modification Proposal would facilitate the introduction of new supplies of gas into the System at Isle of Grain and potentially increase the range of supplies available to Shippers.

Disadvantages: Users would be subject to mandatory withdrawals prior to the Effective Date.

**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 invited to this Proposal.

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

Transco is not aware of any requirement to implement the Modification Proposal in order to facilitate compliance with safety or other legislation.

**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**

Transco is not aware of any requirement.

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

No major programme of works has been identified.

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

Transco proposes that this Modification Proposal be implemented prior to the issue of the Annual LNG Storage Invitation 2004/5.

**16. Recommendation concerning the implementation of the Modification Proposal**

Transco recommends implementation of this Modification Proposal.

**17. Text**

*With effect from 0600 hours on [1 May] 2004, amend the Network Code as follows:-*

*Amend paragraph 1.7.1(b) of Section R to read:-*

“(b) “**Transco LNG Storage Facilities**” means the LNG Facilities which are from time to time operated by Transco and are located at Glenmavis, Partington, Dynevor Arms and Avonmouth.”

*Amend paragraph 4.1.1 of Section R to read:-*

“4.1.1 The Storage Facilities for which Transco LNG Storage is the Storage Operator at Dynevor Arms and Avonmouth are each a “**Constrained Storage Facility**” in relation to a Storage Year for the purposes of this paragraph 4.”

*Add the following new paragraphs 8.14.11, 8.14.12, 8.14.13, 8.14.14, 8.17.9 and 8.17.10 to Part II of the Transitional Document:-*

“8.14.11 R1.4 In respect of the LNG Facility which is from time to time operated by Transco and is located at Isle of Grain (the “**Transco LNG Isle of Grain Storage Facility**”), the Storage Year 2004/5 shall be the period from 1 May 2004 until the earlier of:-

- (a) 30 April 2005; or
- (b) the effective date determined in accordance with paragraph 8.14.14 below.

8.14.12 R1.7.1 For the duration of Storage Year 2004/5 relating to the Transco LNG Isle of Grain Storage Facility, the Transco LNG Isle of Grain Storage Facility shall be a “Transco LNG Storage Facility”.

8.14.13 R4.1.1 For the duration of Storage Year 2004/5 relating to the Transco LNG Isle of Grain Storage Facility, the Transco LNG Isle of Grain Storage Facility shall be a “Constrained Storage Facility”.

8.14.14 R For the purposes of paragraphs 8.14.12 and 8.14.13, the effective date shall be a date not earlier than the date notified by Transco LNG Storage for these purposes in the Annual Storage Invitation issued by Transco LNG Storage pursuant to Section Z in respect of Storage Year 2004/5, and shall be 0600 hours on a date falling between 1 January 2005 and 1 June 2005 (the “**First Window Period**”) and established by Transco LNG Storage in accordance with the following procedure:-

- (a) Transco LNG Storage shall give at least 180 days notice, before the commencement of the First Window Period, of a 100 day period falling within the First Window Period (the “**Second Window Period**”) during which the Effective Date shall fall; and
- (b) Transco LNG Storage shall give at least 90 days notice, before the commencement of the Second Window Period, of a 45 day period falling within the Second Window Period (the “**Third Window Period**”) during which the Effective Date shall fall; and
- (c) Transco LNG Storage shall give at least 30 days notice, before the commencement of the Third Window Period, of the day falling within the Third Window Period, which shall be the Effective Date.

If Transco LNG Storage does not so notify any such period or day, the relevant period or day shall be the latest day or period possible in accordance with the foregoing.

8.17.9      Z      For the duration of Storage Year 2004/5 relating to the Transco LNG Isle of Grain Storage Facility, the provisions of Section Z shall (subject to the provisions of paragraph 8.17.10) apply to the Transco LNG Isle of Grain Storage Facility.

8.17.10     Z      The following provisions of Section Z shall be amended as follows in respect only of the Transco LNG Isle of Grain Storage Facility for the purposes of paragraph 8.17.9:-

- (a) paragraph 3.1.1 shall only apply to the Transco LNG Isle of Grain Storage Facility for the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility. For the avoidance of doubt, in the event that the effective date determined in accordance with paragraph 8.14.14 of Part II of the Transition Document has not occurred before 1 March 2005, paragraph 3.1 shall not apply in respect of the Transco LNG Isle of Grain Storage Facility for any period after the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility;
- (b) paragraph 3.1.3(j) shall not apply in respect of the Transco LNG Isle of Grain Storage Facility; and;
- (c) paragraph 3.2.1(d) shall be deemed to read, “where the Annual Storage Invitation was made under paragraph 3.1.2(b) and the application is made pursuant to that invitation, the rates for the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility;”;
- (d) paragraph 3.5.3 shall be deemed to read, “In this paragraph 3.5 “**price**” means the rates (for the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility) of the Storage Space Charge and/or Storage Deliverability Charge tendered by a User in its application in accordance with paragraph 3.2.1(d).”;
- (e) paragraph 3.6 shall be amended to read:-

“3.6 Each User shall use reasonable endeavours to ensure that either:-

- (a) it has no gas-in-storage in the Transco LNG Isle of Grain Storage Facility as at the end of the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility; or
- (b) it has made arrangements with the person taking over operation of the Transco LNG Isle of Grain Storage Facility after the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility (and those arrangements have been

confirmed by such person to Transco LNG Storage), pursuant to which such person agrees that the User's gas-in-storage may remain in the facility after the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility.

In the event that the User fails to comply with paragraph (a) or (b) above, then the provisions of paragraph 6.4 shall apply.”;

(f) paragraph 6.4.1 shall be amended to read:-

“6.4.1 Subject to paragraphs 6.4.3 and 6.4.6, where:-

- (a) on any Day during the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility, a User becomes liable to pay a Storage Overrun Charge in accordance with paragraph 7.1.1; or
- (b) a User has gas-in-storage at the end of the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility, and has not made arrangements (as set out in paragraph 3.6(b)) with the person taking over operation of the Transco LNG Isle of Grain Storage Facility after the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility;

the User shall be deemed to have made a Storage Withdrawal Nomination (and accordingly shall withdraw gas), for each of the 5 consecutive Days (Days 1 to 5) following such Day, for a Storage Nomination Quantity determined as 1/n times the amount of the User's Excess Gas-in-Storage.”

(g) paragraph 6.4.2(b) shall be amended to read:-

“(b) the User's “**Excess Gas in Storage**” on any of Days 1 to 5 is:-

- (i) for any Day during the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility, the amount by which the User's gas-in-storage, less the Permitted Uncovered Amount (under paragraph 3.6.2), exceeds its Available Storage Space, on that Day; and
- (ii) for any Day after the end of the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility, the amount of gas-in-storage of the User at the end of the Storage Year 2004/5 in respect of the Transco LNG Isle of Grain Storage Facility less any amounts withdrawn by the User on subsequent Days (whether or not such withdrawal is made pursuant to this paragraph 6.4).”

***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:

**Mike Calviou**  
**Head, Commercial Frameworks**  
**NT & T**

Date:

**Modification Proposal 0647: Transitional Arrangements to facilitate the change of status of the Isle of Grain Storage Facility to a LNG Importation Facility**

**1. Effective Date**

- 1.1. Isle of Grain will cease to be a Storage Facility, and references to it as such will be removed from Network Code, not earlier than the date notified by TLNGS in the 2004 LNG Annual Storage Invitation, the “Effective Date”.
- 1.2. The Effective Date shall fall between 1 January 2005 and 1 June 2005 (the “**First Window Period**”) and shall be established by TLNGS in accordance with the following procedure:
  - (a) TLNGS shall give at least 180 days notice, before the commencement of the First Window Period, of a 100 day period falling within the First Window Period (the “**Second Window Period**”) during which the Effective Date shall fall; and
  - (b) TLNGS shall give at least 90 days notice, before the commencement of the Second Window Period, of a 45 day period falling within the Second Window Period (the “**Third Window Period**”) during which the Effective Date shall fall; and
  - (c) TLNGS shall give at least 30 days notice, before the commencement of the Third Window Period, of the day falling within the Third Window Period, which shall be the Effective Date.

If TLNGS does not so notify any such period or day, the relevant period or day shall be the latest day or period possible in accordance with the foregoing.



- 1.3. As from the Effective Date the Isle of Grain will cease to be classified as a Transco LNG Storage Facility (R1.7.1(b)) and a Constrained Storage Facility (R4.1.1)

## **2. LNG Storage Service Duration**

2.1. Transitional LNG Storage Services will be made available at the Isle of Grain Storage Facility, to all Users from 1st May 2004 until the earlier of:

- a) The day immediately prior to the Effective Date; or
- b) The end of the 2004/05 Storage Year.

2.2. Transco LNG Storage will have the option to offer Transitional LNG Storage Services until the Effective Date.

## **3. Treatment of Gas-in-Store as at the Effective Date**

- 3.1. There will be no carry-over provisions for gas-in-store as from the Effective Date and mandatory withdrawals will apply, unless alternative arrangements have been made in accordance with 8.2
- 3.2. There may be an option for gas-in-store to be traded to a capacity holder in the LNG Importation Terminal, no later than the Effective Date. This option will need to be exercised early enough in order that Shippers have some certainty on whether or not to withdraw their gas-in-store before the Effective Date.

## **Modification Timetable**

Submit Proposal to October Panel	16 October 2003
Issue Draft Modification Reports (inc legal text)	5 November 2003
Close-out for Representations	26 November 2003
Submit Final Modification Report	17 December 2003
Ofgem Decision	Prior to the 2004/05 Storage Year