

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0619
"Deferral of Annual Storage Invitation"
Version 3.0

Date: 26/02/2003

Proposed Implementation Date: 01/03/2003

Urgency: Urgent

Justification

Transco LNG intends to withdraw part of its storage capacity and would reflect this in its Annual Storage Invitation (ASI). Transco LNG has agreed to send Ofgem a paper detailing the quantities and reasons by 5 March 2003. Ofgem has in turn expressed the wish to consult with shippers on this withdrawal of storage capacity.

To ensure that this consultation is completed prior to the issue of the ASI, a deferral is required to the date of invitation, which is currently set in the Network Code as no later than 1 March. It is therefore recommended that this Proposal be granted Urgent status by Ofgem.

Nature of Proposal

It is proposed that for the 2003/4 Storage Year, the date for the launch of the Annual Storage Invitation, detailed in Section Z3.1.1, be deferred from 1 March 2003 to no later than the 1 April 2003.

It is further proposed that the "Transco Invitation Close Date" detailed in Section Z3.1.3(a) be amended to not less than 14 days following the date of invitation.

As the withdrawal of storage capacity potentially has implications on quantities of gas held under Constrained Storage arrangements and as Operating Margins, it is proposed that the date for publication of the Network Code statements is also deferred from 1 March 2003 to no later than 1 April 2003. Also publication of Constrained LNG credits available from 1 May 2003 would similarly be reduced from two months to one month notice ie issued by 1 April 2003.

Transco LNG has agreed to submit a paper to Ofgem by 5 March 2003 detailing the storage capacity to be withdrawn and the reasons. Ofgem has indicated that it would wish to consult shippers on this withdrawal prior to reaching a decision.

Purpose of Proposal

Amendments to the time-scales contained within the Network Code would allow Ofgem to ascertain the industry's views on the intended level of capacity withdrawal by Transco LNG. This is consistent with the efficient and economic operation by the licensee of its pipe-line system. Allowing for a period of industry consultation would also be consistent with facilitating the securing of effective competition between relevant shippers and between relevant suppliers.

Consequence of not making this change

Ofgem would not have the opportunity to seek the views of the industry on the level of storage capacity withdrawal prior to the launch of the ASI. The only way that Users could be given clarity on the capacities available would involve deferring the ASI, which implies a breach in operation by Transco of its Network Code.

Area of Network Code Concerned

Sections K2, R4, Z

Draft Legal Text

Add new paragraph 8.8.3 in Part II of the Transition Document, as follows:-

8.8.3 K2.2.3 For the purposes of Section K2.2.3, in relation to the Storage Year commencing 1st May 2003, Transco will, not later than 1st April 2003, provide to Users and the Director details of:

- (i) the assumptions made pursuant to Section K2.2.2; and
- (ii) the amounts estimated under Section K2.2.1 and (on the basis of the assumptions referred to in paragraph (i)) the calculation of such estimated amounts.

Add new paragraph 8.14.10 in Part II of the Transition Document, as follows:-

8.14.10 R4.1.4 For the purposes of Section R4.1.4, in relation to the Storage Year commencing 1st May 2003, where any Storage Facility is to be a Constrained Storage Facility for that Storage Year, Transco will, not later than 1st April before the start of that Storage Year, publish a document (the "Constrained Storage Statement") containing the following details for each Constrained Storage Facility:

- (a) the "Constrained Point(s)", being a point or points on the NTS as identified by Transco as being relevant, for the purposes of Section R4, to a Constrained Storage Facility;
- (b) the rate of flow ("Constrained Threshold Demand Flow") at a Constrained Storage Point at which Transco may make Constrained Storage Renominations in respect of the relevant Constrained Storage Facility.
- (c) the System Entry Capacity Charges in respect of the relevant Storage Connection Point;
- (d) a percentage for each Week in the Winter Period for the purposes of Section R4.6.3.

Add new paragraph 8.17.8 in Part II of the Transition Document:-

8.17.8 Z3.1 For the Storage Year commencing 1st May 2003, Transco LNG Storage will, not later than 1st April 2003, invite (for the purposes of Section Z 3.1.1 and in accordance with Section Z 3.1.2) applications for Storage Capacity in each Transco LNG Storage Facility, and (for the purposes of Section Z 3.1.3(a)) the date ("Transco LNG Invitation Close Date") by which applications pursuant to such invitation must be made shall not be less than 14 Days after the date of the invitation.

Proposer's Representative

John J Bradley (Transco)

Proposer

Mike Calviou (Transco)

Signature

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