

**Draft Modification Report**  
**Amendments to LNG Services from 2003/4**  
**Modification Reference Number 0608**

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**

This Modification Proposal seeks to improve the LNG Injection and Capacity Trading regime by implementing the following principles:

- Users would be allocated separate injection rights when they purchased a bundled unit of LNG capacity, in order to facilitate trading of injection capacity.
- The LNG injection period would run from 1 May to the later of 31 October and the first day after 31 October on which the User had filled its space booking or had not nominated to the extent of its full available injection rate.
- The injection nomination time would be defined as 15:30 fifteen days maximum prior to the gas flow day to which the nomination relates. Transco LNG would notify shorter lead times to Users on a daily basis, where operations permit.
- Planned injection maintenance days, currently unlimited, would be limited to fifteen days within a firm injection period.
- Transco LNG would be permitted to cancel injection nominations but would be required to pay injection cancellation compensation if nominations were cancelled for more than fifteen days.
- If cancellation of injection nominations resulted in a User being unable to fill its space booking by 1 November, then the User would be entitled to cancel a proportion of its capacity booking.
- Users would be permitted to nominate greater than their available injection rate but, however, would incur an injectability overrun charge. Access to "unused" injectability capacity would be on an interruptible basis and Transco LNG could interrupt such injection without charge or other liability in the event that this was required. The injection overrun charging methodology would be defined within the Network Code and has been designed to encourage the secondary market whilst also moving towards market-related price.

## **2. Transco's Opinion**

Transco proposes that its LNG services be amended for the 2003/04 Storage Year to better reflect customer requirements and plant capability. It was originally envisaged that 2003/04 service terms would be removed from the Network Code and assigned to bilateral contracts upon the separation of Transco LNG from Transco. However, separation of LNG Storage will not occur before the end of the Storage Year 2002/03 and a Network Code Modification is therefore required to implement the proposed changes. LNG services are defined within the LNG Annual Storage Invitation which is issued in March of each year, and a decision on implementation prior to this would help provide potential bidders with clarity beforehand on the LNG services available.

Transco is not aware of any effect of implementation of the Modification Proposal on the electricity regime.

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

By improving the definition of Transco LNG Services, Users would be better positioned to attach a value to these services. This improvement in information would influence the actions of potential storage users in the Annual Storage Invitation process and in their decisions on the use of services provided by other parties. This would be expected to better facilitate the securing of effective competition between relevant Shippers. Improving LNG services would also be consistent with efficient and economic operation.

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

Transco is not aware of any implications for operation of the System.

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

Transco is not aware of any further development, capital or operating costs, which would arise from implementation of this Proposal.

**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 intend to recover any development costs from Users.

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

Transco is not aware of any consequences this 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 Modification Proposal would not affect Transco's contractual risk under the Network Code.

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

Transco's computer systems have the flexibility to accommodate the proposed changes.

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

Users would be offered a more flexible injection and capacity trading regime.

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

Users may wish to pass on any additional benefits to suppliers and customers.

**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 unaware of any effect on the legislative and regulatory obligations and contractual relationships of Transco and each User and non-Network Code party of implementing the Modification Proposal.

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

Advantage: Users would be able to take advantage of a more flexible injection and capacity trading regime.

Disadvantage: Transco has not identified any disadvantages.

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

Transco now invites representations to this Modification Proposal.

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

Transco does not believe that implementation of this Modification Proposal is required to enable Transco 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 does not believe that implementation of this Modification Proposal is required in respect of any proposed change in the methodology established under Standard Condition 4(5) of the Statement; furnished by Transco under Standard Condition 4(1) of the Licence.

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

Transco is not aware of any programme of works that would be required as a consequence of implementing the Modification Proposal.

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

It is proposed that Transco LNG introduces changes to the injection and capacity trading regime from 1 May 2003. Transco is unaware of any systems changes that would be required as a result of this Modification Proposal.

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

Transco recommends that this Modification Proposal is implemented with effect from 1 May 2003. However, an early decision from Ofgem would assist potential storage users to clarify the services available from Transco LNG for the Storage Year 2003/04.

**17. Text**

**SECTION P: TOP UP STORAGE**

Amend paragraph 3.2.2(iii) to read as follows:

"... PID is the number of Days ramining in the Applicable Injection Period (starting with the day after. . ."

Amend paragraph 3.5.2(i) to read as follows:

"the Top up Manager will apply for and be registered as holding any uncmmited Storage Space (and the minimum associated Storage Deliverability and Storage Injectability) in the relevant Storage Facility"

Amend paragraph 4.1.1 to read as follows:

"... surrender Storage Space and/or Storage Injectability and/or Storage Deliverability . . ."

Amend paragraph 4.1.2 to read as follows:

"... surrender of Storage Space or Storage Injectability or Storage Deliverability . . ."

Amend paragraph 4.1.4 to read as follows:

"(i) . . .;

(ii) where the amount of Storage Space or Storage Injectability or Storage Deliverability . . . not comloed with;

(iii) For Storage Deliverability or Storage Injectability or Storage Space during the conduct of a tender pursuant to paragraph 2.9;

(iv) pursuant to paragraph 3.5.5; or

(v) . . . "

Amend paragraph 4.1.9 to read as follows:

“ . . . following a tender pursuant to paragraph 2.9. The Top up Manager may, but shall not be obliged to, transfer Storage Injectability as part of a Top up Storage Transfer”

Amend paragraph 4.1.10 to read as follows:

“ . . . requests the Top-up Manager to surrender Storage Space and/or Storage Injectability and/or Storage Deliverability and/or to make a transfer of gas . . . ;

Amend paragraph 4.2.1 to read as follows:

“ . . . ;

(i) . . . registered as holding the Storage Space and/or Storage Injectability and/or Storage Deliverability . . . ; and/or

(ii) . . . ”

Amend paragraph 4.2.4 by inserting a new sub-paragraph (iv) as follows:

“(iv) the amount of Storage Injectability proposed to be subject to the Top up Storage Transfer shall not exceed the amount which the Top up Manager may reasonably determine it requires to retain for the purposes of filling Top up Storage Space remaining after the Top-up Storage Transfer.”

Amend paragraph 4.2.6 to read as follows:

“(i) . . . otherwise agreed) notify to the Storage Operator (by way of a Storage Renomination in accordance with Section Z5.2) a proportionate reduction in the Storage Nomination Quantity for any Day (after the Day the Top-up Storage Transfer takes effect) in respect of which the Top-up Manager has made a Storage Injection Nomination;

- (ii) if the Top-up Manager is unable (due to the provisions set out in Section Z5.2) to reduce the Storage Nomination Quantity for any Day (after the Day the Top-up Storage Transfer takes effect) in respect of which the Top-up Manager has made a Storage Injection Nomination, the Top-up Transferee Storage User shall pay to the Top-up Manager an amount equal to the amount of any Storage Overrun Charge and/or Storage Management Charge payable by the Top-up Manager pursuant to Section Z7.1 and Z7.3 in consequence thereof.”

Amend paragraph 4.3.3 to read as follows:

“... includes a surrender of Storage Space or Storage Injectability or Storage Deliverability:”

Amend paragraph 4.4.1 to read as follows:

“Where at any time:

(i) ..., and

(ii) ...

....cease to be registered as holding Storage Space in the amount under paragraph 4.4.2 and associated Storage Injectability (but not exceeding the Storage Injectability which such Storage User was so registered as holding) and associated Storage Deliverability (on the basis. . . :”

Amend paragraph 4.4.5 to read as follows:

“The Top-Up Manager may but will not be required to surrender associated Storage Injectability and/or associated Storage Deliverability pursuant to . . . during the conduct of a tender pursuant to paragraph 2.9 and thereafter the . . . ”

## **SECTION R: STORAGE**

Amend paragraph 1.5.1(h)(i) to read as follows:

“a Transco LNG Storage Facility, the days in the Transco LNG Injection Period other than Days on which is planned or known that the relevant injection facilities will not be in operation for any reason;”

Amend paragraph 1.5.1(i)(i) to read as follows:

“a Transco LNG Storage Facility, is, in respect of a User, the User’s Available Storage Injectability;”

Amend paragraph 1.5.1(j)(i) to read as follows:

“a Transco LNG Storage Facility, is the LNG Storage Injection Nomination Time and/or the LNG Storage Withdrawal Nomination Time (as the case may be);”

Amend paragraph 1.5.1(k)(i) to read as follows:

“a Transco LNG Storage Facility, the Total Storage Injectability;”

Amend paragraph 2.1.1(d) to read as follows:

“... which is made before or after (in each case to the extent permitted by the relevant Storage Terms) the Applicable Storage Nomination Time and ...;”

## **SECTION U: UK LINK**

Amend paragraph 2.2(a) of Annex U-1 by inserting a new sub-paragraph (iv) as follows:

“in respect of Storage Injectability, the Applicable Storage Injectability Charge Rate (in pence per kWh/Day of Storage Injectability for a Storage Year) divided by 365;”

## **SECTION Z: TRANSCO LNG STORAGE FACILITIES**

Amend paragraph 1.2.2 to read as follows:

“Subject to paragraph 1.5 and to any other provisions to the contrary in this Section Z, the quantity of gas accounted for as injected ...”

Amend paragraph 1.4.1 as follows:

“Save where otherwise provided in this Section Z, Users will make Storage Nominations . . .”

Amend paragraph 1.4.4 to read as follows:

“. . . on the Preceding Day (the “LNG Storage **Withdrawal** Nomination Time”). Transco LNG Storage will only act on a User’s Storage Injection Nominations where such are received (or are deemed to be received) by Transco LNG Storage not later than the LNG Storage Injection Nomination Time. For the purposes of this paragraph 1.4.4, the “LNG Storage **Injection Nomination Time**” is 15:30 hours on the Day fifteen (15) Days prior to the Gas Flow Day to which the Storage Injection Nomination relates.”

Amend paragraph 1.5.1 to read as follows:

“. . . on any Day the injection and/or withdrawal of gas . . . :

- (a) . . . ; and
- (b) . . . the Transco LNG Storage Facility so affected, the aggregate quantity injected on the Day will be apportioned between Users in the proportions in which they have Available Storage Injectability and the aggregate quantity withdrawn . . .”

Add a new paragraph 1.9 as follows:

“1.9 Renomination effective times

1.9.1 The effective time of any Storage Renomination shall be the time specified as such in the Storage Renomination, provided that such time complies with the provisions of paragraph 1.9.2 and 1.9.3.

1.9.2 For the purposes of this Section Z, it shall be assumed that any change in the rate of injection of gas into or withdrawal of gas from any Transco LNG Storage Facility by a User will occur on the hour.

1.9.3 The effective time of any Storage Renomination shall:-



- (a) be not less than sixty (60) minutes after the time at which the Storage Renomination is submitted by the User to Transco LNG Storage; and
- (b) comply with the injection lead time (for Storage Renominations made in respect of Storage Injection Nominations) or the withdrawal lead time (for Storage Renominations made in respect of Storage Withdrawal Nominations) in respect of the relevant Transco LNG Storage Facility prevailing at the time at which the Storage Renomination is submitted by the User to Transco LNG Storage; and
- (c) comply with paragraph 1.9.2.”

Amend paragraph 2.1.2 to read as follows:

“... comprises Storage Space, Storage Injectability and/or Storage Deliverability.”

Amend paragraph 2.1.3 to read as follows:

“... ”

- (a) ... entitles the User to have gas-in-storage ... ;
- (b) ... to the System;
- (c) “Storage Injectability” is capacity which entitles the User (provided that it has sufficient unfilled Available Storage Space) to inject gas into a Transco LNG Storage Facility from the System.”

Amend paragraph 2.1.4 to read as follows:

“... Deliverability and Storage Injectability are expressed ... ”

Amend paragraph 2.1.5 to read as follows:

“... ”

- (a) . . . ; and/or
- (b) . . . 24 hours; and/or
- (c) Storage Injectability (“**Total Storage Injectability**”) equivalent to the maximum quantity of gas that Transco LNG Storage determines can be injected into the facility in a period of 24 hours.”

Amend paragraph 2.1.6 to read as follows:

“ . . .

- (a) . . . ; and/or
- (b) . . . ; and/or
- (c) Storage Injectability (“**Maximum Storage Injectability**”) determined as the Total Storage Injectability less the amount of Storage Injectability at the time subject to Long Term Storage Arrangements in accordance with paragraph 2.8, Tanker Filling Arrangements in accordance with paragraph 2.9 and Operating Margins Requirements,

as specified for a Storage Year . . .”

Amend paragraph 2.2.2 to read as follows:

“ . . .

- (a) a User’s “**Registered**” Storage Space or Storage Injectability or Storage Deliverability . . . is the Storage Space or Storage Injectability or Storage Deliverability . . .”;
- (b) a User’s “**Available**” Storage Space or Storage Injectability or Storage Deliverability . . . is the Storage Space or Storage Injectability or Storage Deliverability . . .”

Amend paragraph 2.3.2 to read as follows:

“Where a User applies under this Section Z for Storage Capacity, the Storage Duration applied for shall be 5 (but the Storage Duration which a User is registered as holding may differ in accordance with paragraph 2.9).”

Amend paragraph 2.5 to read as follows:

“... the “**Uncommitted**” Storage Space or Storage Injectability or Storage Deliverability ... is the Maximum Storage Space or Maximum Storage Injectability or Maximum Storage Deliverability less the aggregate Storage Space or Storage Injectability or Storage Deliverability ...”

Amend paragraph 2.6.2 to read as follows:

“... ”

- (a) ... a Storage Space Charge or a Storage Injectability Charge or a Storage Deliverability Charge;
- (b) ...;
- (c) ... Storage Facility;
- (d) a “**Storage Injectability Charge**” is a charge in respect of, and determined by reference to the amount of, a User’s Registered Storage Injectability in a Transco LNG Storage Facility.”

Amend paragraph 2.6.3 to read as follows:

“The “**Applicable Storage Capacity Charge Rate**” means the total of the Applicable Storage Space Charge Rate and the Applicable Storage Injectability Charge Rate and the Applicable Storage Deliverability Charge Rate. The “**Applicable Storage Space Charge Rate**” or “**Applicable Storage Injectability Charge Rate**” or “**Applicable Storage Deliverability Charge Rate**” respectively is the annual rate of the Storage Space Charge or (as the case may be) Storage Injectability Charge or (as the case may be) Storage Deliverability Charge ...:

- (a) ...;
- (b) ...;

(c) Storage Injectability, in pence per kWh/Day of Storage Injectability, for a Storage Year.”

Amend paragraph 2.9.1 to read as follows:

“... Users may hold Storage Space and Storage Injectability and have gas-in-storage ...”

Amend paragraph 3.1.2 to read as follows:

“... applications for Storage Space and/or Storage Injectability and/or Storage Deliverability ...”

Amend paragraph 3.1.3 to read as follows:

“... ”

(a) ...;

(b) the Maximum Storage Space, Maximum Storage Injectability and Maximum Storage Deliverability ...;

(c) ...;

(d) Not Used;

(e) ... the Applicable Storage Space Charge Rate, the Applicable Storage Injectability Charge Rate and the Applicable Storage Deliverability Charge Rate;

(f) ... the fixed Storage Duration in accordance with paragraph 3.5.4, the ratio of Storage Injectability to Storage Space for each Transco LNG Storage Facility, and a late-booking rate for the purposes of paragraph 3.7.7;

(g) ...;

(h) ...;

(i) ...;

(j) . . .; and

(k) . . .”

Amend paragraph 3.2.1 to read as follows:

“ . . .

(a) . . .;

(b) . . .;

(c) the amount of Storage Space, the amount of Storage Injectability and the amount of Storage Deliverability (subject to the Storage Duration as defined in paragraph 2.3.2 and the relevant Annual Storage Invitation) for which the application is made;

(d) . . .;

(e) . . .;

(f) . . . (pursuant to paragraph 3.1.3(k) require.”

Amend paragraph 3.2.2. to read as follows:

“Not Used.”

Amend paragraph 3.3 to read as follows:

“ . . . shall pay the prices set out in the Transco Licence . . .”

Amend paragraph 3.4.1 to read as follows:

“ . . . in respect of a Transco LNG Storage Facility was made under paragraph 3.1.2(a).”

Amend paragraph 3.4.2 to read as follows:

“ . . . Annual Storage Invitation for Storage Capacity at a Transco LNG Storage Facility . . . Transco LNG Storage will allocate Storage Capacity between Users whose applications were not rejected . . . ”

Amend paragraph 3.5.1 to read as follows:

“ . . . in respect of a Transco LNG Storage Facility was made under paragraph 3.1.2(b). ”

Amend paragraph 3.5.3 to read as follows:

“ . . . the annual rate of the Storage Space Charge, the Storage Injectability Charge and/or Storage Deliverability Charge . . . ”

Amend paragraph 3.6.4 to read as follows:

“As at the Day (“**Confirmation Day**”) immediately following the LNG Storage Injection Nomination Time in respect of the Gas Flow Day in question, Transco LNG Storage will:

(a) determine for each Transco LNG Storage Facility in respect of the Gas Flow Day in question (the “**relevant Day**”), on the basis of the accepted Storage Injection Nominations for the relevant Day, the amount (“Empty Storage Space”) . . . :

(i) . . . ; and

(ii) the Storage Nomination Quantities in accordance with the accepted Storage Injection Nominations of all Users . . . ; and

(b) . . . ”

Amend paragraph 3.6.5 to read as follows:

“ . . . to each Carry-over User, on the Confirmation Day, the amount of Empty Storage Space allocated to it in respect of the relevant Day. ”

Amend paragraph 3.7.4 to read as follows:

“... will not be approved if at the time of the application the Storage Space, the Storage Injectability or the Storage Deliverability ...”

Amend paragraph 4.1.1(a) to read as follows:

“... Available Storage Space or its Available Storage Injectability or its Available Storage Deliverability ..., or”

Amend paragraph 4.1.3(a) to read as follows:

“a “**Storage Space Transfer**”, a “**Storage Injectability Transfer**” and a “**Storage Deliverability Transfer**” are respectively a transfer of Storage Space, a transfer of Storage Injectability and a transfer of Storage Deliverability in accordance with paragraph 4.1.1(a) and a “**Storage Capacity Transfer**” is a Storage Space Transfer and/or a Storage Injectability Transfer and/or a Storage Deliverability Transfer;

Amend paragraph 4.1.4 to read as follows:

“A Storage Injectability Transfer may be for any hour or consecutive hours (being full hours only) or Day or consecutive Days within the period for which the Transferor Storage User holds (by virtue of registration or any Storage Injectability Transfer) such capacity and a Storage Deliverability Transfer may be for any hour or consecutive hours (being full hours only) or Day or consecutive Days ...”

Amend paragraph 4.1.5(c) to read as follows:

“the “**Storage Transfer Period**” is in the case of a Storage Injectability Transfer or a Storage Deliverability Transfer the hour or hours (being full hours only) or the Day or Days ...;

Amend paragraph 4.3.1(c) to read as follows:

“... is a Storage Space Transfer, a Storage Injectability Transfer, a Storage Deliverability Transfer ...”

Amend paragraph 4.3.3 to read as follows:

“A proposed Storage Space Transfer or a proposed Storage Gas Transfer may not be notified . . . the Storage Transfer Period. A proposed Storage Injectability Transfer or a proposed Storage Deliverability Transfer may not be notified later than one (1) hour prior to the commencement of the Storage Transfer Period.”

Amend paragraph 4.6.1 to read as follows:

“ . . .

- (a) . . . 5 Business Days after giving a Storage Termination Notice . . . ;
- (b) . . . ;
- (c) . . . :
  - (i) . . . , and
  - (ii) for (in the case of a Storage Injectability Transfer or a Storage Deliverability Transfer) any hour or consecutive hours (being full hours only) or Day or consecutive Days within the Storage Transfer Period . . . ;”

Amend paragraph 4.6.3(a) to read as follows:

“ . . . 5 Business Days after giving a Storage Termination Notice . . . ”

Delete paragraph 4.7 in its entirety.

Delete paragraph 5 in its entirety and replace with the following:

## **“5.1 Introduction**

5.1.1 Subject to this paragraph 5, a User may inject gas into a Transco LNG Storage Facility on any Day (including a Day on which gas is being withdrawn from the facility) during the period (the “Transco LNG Injection Period”) in which Transco LNG Storage will accept injections of gas by such User into the relevant Transco LNG Storage Facility. The Transco LNG



Injection Period for each User shall commence on 1st May in the Storage Year and shall end on the later of

(a) 31st October in the Storage Year; or

(b) the first Day in the Storage Year following 31st October:-

(i) where the User does not have a Storage Nomination Quantity pursuant to a Storage Injection Nomination equal to or greater than its Available Storage Injectability; or

(ii) where the User has no unfilled Storage Space; or

(iii) which Transco LNG Storage shall determine and notify to Users as the date with effect from which rights to inject gas to a Transco LNG Storage Facility, other than pursuant to paragraph 5.4, shall be terminated.

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5.1.2 The User may (subject to the provisions of this Section Z) nominate to inject gas at a rate in excess of its available injection rate, but shall not inject a quantity in excess of its unfilled Available Storage Space.

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5.1.3 Subject to paragraph 5.1.5, Users may not inject gas into a Transco LNG Storage Facility in an Injection Maintenance Period.

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5.1.4 For the purposes of paragraph 5.1.3, in relation to a Transco LNG Storage Facility:

(a) an “**Injection Maintenance Period**” is a continuous period of one(1) hour or more in the Transco LNG Injection Period on which the injection facilities of the Transco LNG Storage Facility are withdrawn from service for maintenance;

(b) the duration of an Injection Maintenance Period shall not exceed what is reasonably required for the purposes of the relevant maintenance, and in any event the aggregate total of Injection Maintenance Periods shall not exceed three hundred and sixty (360) hours in any Transco LNG Injection Period;

(c) the Injection Maintenance Periods shall be specified in the Annual Storage Invitation, provided that Transco LNG Storage may revise (but without prejudice to paragraph (b)) the periods which are Injection Maintenance Periods in any month by providing for additional maintenance and/or by varying the dates or periods of any maintenance already provided for, upon notifying relevant Users not less than 30 Days (or such lesser period as relevant Users may agree) before:

(i) the date on which (following such revision) such maintenance is to commence, or

(ii) where the effect of the revision is to defer maintenance, the date of commencement thereof as shown in the Annual Storage Invitation before such revision.

5.1.5 Users may inject gas into a Transco LNG Storage Facility during an Injection Maintenance Period to the extent that the Storage Nomination Quantities under the Storage Injection Nominations do not exceed the Nomination Quantities under Storage Withdrawal Nominations for the Injection Maintenance Period in respect of the same facility; and where required the Nomination Quantities under such Storage Injection Nominations will be reduced pro-rata, and Transco LNG Storage will inform relevant Users of the extent of such a pro-rata reduction as soon as practicable.

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## **5.2 Nominations, Renominations and Flexibility Nominations**

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5.2.1 A User shall submit Storage Injection Nominations not later than the LNG Storage Injection Nomination Time. Where a User has not submitted a Storage Injection Nomination for the Gas Flow Day by the LNG Storage Injection Nomination Time, the User shall be deemed to have submitted a Storage Injection Nomination in respect of the Gas Flow Day with a Storage Nomination Quantity of zero.

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5.2.2 Subject to the provisions of this Section Z, a User may make a Storage Renomination in respect of a Storage Injection Nomination.

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5.2.3 Where a User makes a Storage Injection Nomination or a Storage Renomination of a Storage Injection Nomination (such a Storage Renomination or Storage Nomination a “**relevant Storage Injection Nomination**”) the implied injection rate shall not be less than zero.

5.2.4 Where a User makes a relevant Storage Injection Nomination in respect of which the implied injection rate is greater than the available injection rate, the User shall pay a Storage Overrun Charge in accordance with paragraph 7.1.

5.2.5 Where a User makes a relevant Storage Injection Nomination in respect of which the implied injection rate is less than zero, Transco LNG Storage may (but shall not be required to) reject the relevant Storage Injection Nomination.

5.2.6 For the purposes of this Section Z, in relation to a relevant Storage Injection Nomination:

(a) the “**available injection rate**” is the rate (in kWh/hour) determined as the sum of:

(i) the Available Storage Injectability divided by 24; and

(ii) where the User is a party to an arrangement for Special Storage Capacity, the lesser of:

(1) the maximum permissible Nomination Quantity thereunder divided by 24;

(2) following any reduction to the Nomination Quantity, the User’s reduced Nomination Quantity divided by the period (in hours) from the time at which the revision takes effect until the end of the Gas Flow Day;

(b) the “**implied injection rate**” is the prevailing injection rate plus (in the case of an increase in Nomination Quantity or System Entry Sell) or minus (in the case of a decrease in Nomination Quantity or System Entry Buy) the incremental injection rate;

(c) the “**prevailing injection rate**” is:

(i) where no earlier such Renomination or Flexibility Nomination has been made, the rate (in kWh/hour) determined as the Nomination Quantity under the User’s Storage Injection Nomination divided by 24 (or where the User had made no Storage Injection Nomination, zero);

(ii) in any other case, the implied injection rate, determined in accordance with this paragraph 5.2.6, prevailing immediately before the relevant Storage Injection Nomination;

(d) the “**incremental injection rate**” is the rate (in kWh/hour) determined as the amount of the increase or decrease in Nomination Quantity or, as the case may be, the amount of the Flexibility Quantity under the relevant Storage Injection Nomination divided by the relevant period;

(e) the “**relevant period**” is the period in hours calculated from the time when the relevant Storage Injection Nomination becomes effective, and continues until either (i) the time when a further relevant Storage Injection Nomination becomes effective, or (ii) the end of the Gas Flow Day, whichever shall occur first and for the purposes of calculating the relevant period, a relevant Storage Injection Nomination shall become effective at the time the nomination is made or in respect of a Contract Renomination at the time the Physical Market Transaction giving rise to the requirement to make the Contract Renomination was made plus the injection lead time prevailing at such time or the Transaction Effective Time in relation to such Physical Market Transaction if longer.

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5.2.7 In respect of any Transco LNG Storage Facility the “**injection lead time**”, as at any time after the LNG Storage Injection Nomination Time, is the period of notice required (by reference to the prevailing operational status of the facility at such time) before Transco LNG Storage can give effect to an increase or (as the case may be) a decrease in the rate of injection of gas into the facility on the Gas Flow Day. The injection lead time in respect of any Transco LNG Storage Facility shall never be greater than 15 Days.

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5.2.8 With effect from the LNG Storage Injection Nomination Time Transco LNG Storage will make available to Users the prevailing injection lead times (for an increase and for a decrease) for the Gas Flow Day in respect of each Transco LNG Storage Facility.

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5.2.9 A User’s “**Requested Injection Quantity**” for a Gas Flow Day shall be the Storage Nomination Quantity specified for that Day in the User’s prevailing Storage Injection Nomination or Storage Renomination, as the case may be.

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5.2.10 Where for any Gas Flow Day, the aggregate of all Users' Requested Injection Quantities in respect of a Transco LNG Storage Facility exceeds the Total Storage Injectability of such Transco LNG Storage Facility, the Storage Nomination Quantities of all Users will be revised in accordance with paragraph 5.2.11.

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5.2.11 For each User a revised Storage Nomination Quantity shall be determined such that each of the following conditions is satisfied:

- (a) the aggregate of the revised Storage Nomination Quantities of all Users is equal to the Total Storage Injectability of the relevant Transco LNG Storage Facility;
- (b) no User has a revised Storage Nomination Quantity greater than its Requested Injection Quantity;
- (c) each User whose Requested Injection Quantity is less than or equal to the User's Available Storage Injectability shall have a revised Storage Nomination Quantity equal to its Requested Injection Quantity; and
- (d) the revised Storage Nomination Quantities of Users whose Requested Injection Quantity exceeds their respective Available Storage Injectability are in the same proportions as their respective Available Storage Injectability.

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### **5.3 Quantity injected**

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5.3.1 In accordance with paragraph 1.2.2, but subject to paragraph 1.5 and to any other provisions to the contrary in this Section Z, Transco LNG Storage shall secure that the quantity of gas injected by the User will be the Storage Nominated Quantity under the User's Storage Injection Nomination.

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### **5.4 Injection outside the Transco LNG Injection Period**

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5.4.1 Subject to paragraph 5.4.5, a User who holds unfilled Storage Space in a Transco LNG Storage Facility may make an injection (a "late injection") of gas into the facility on a Day after the end of the Transco LNG Injection Period (in the relevant Storage Year) in the circumstances in paragraph 5.4.3.

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5.4.2 A User who wishes to make a late injection on a Day shall notify Transco LNG Storage not later than the LNG Storage Injection Nomination Time specifying the Transco LNG Storage Facility and the quantity of gas to be injected, which notification may not be withdrawn or amended.

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5.4.3 The circumstances in which a late injection may take place are:

- (a) where other Users are withdrawing gas from the relevant Transco LNG Storage Facility in quantities in aggregate exceeding the late injection quantity, or
- (b) where no User is withdrawing gas from the facility, the facility is not being held ready to allow such withdrawals and the injection facilities are not in course of maintenance or other works and are otherwise capable of being put in operation for the Day and Transco has not notified Transco LNG Storage of any Transportation Constraint which Transco anticipates would arise if such injection were to take place.

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5.4.4 Transco LNG Storage will make available details of the Transco LNG Storage Facilities in respect of which the circumstances under paragraph 5.4.3 are from time to time satisfied.

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5.4.5 Transco LNG Storage may at any time (before or within the Gas Flow Day) by giving not less than 60 minutes notice to the User cancel or discontinue or reduce the rate of any late injection where or to the extent that the circumstances in paragraph 5.4.3 cease or have ceased to be satisfied.

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5.4.6 The restrictions under this paragraph 5.4 applying to late injections do not apply to the Top-up Manager or Transco for Operating Margins Purposes.

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## **5.5 Injection Charges**

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5.5.1 Users shall pay charges (“**Storage Injection Charges**”) in respect of quantities injected into each Transco LNG Storage Facility at the rate (in pence per kWh) specified in the Annual Storage Invitation in respect of such facility for the month in which such quantities were injected.

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5.5.2 Storage Injection Charges will be invoiced and are payable monthly in accordance with paragraph 8.

## 5.6 Transco LNG Storage Interruption and Cancellation of Injection

5.6.1 Where a User has made a Storage Injection Nomination for a Storage Nomination Quantity in excess of its available injection rate, Transco LNG Storage may by notice to the User, at any time not less than sixty (60) minutes prior to the hour at which such notice is to take effect, interrupt that part of the User's Storage Nomination Quantity that is in excess of the User's available injection rate. In the event of such interruption, no compensation shall be due to the User and the User's Storage Nomination Quantity pursuant to Storage Injection Nominations for such Day(s) will be deemed to be the User's available injection rate multiplied by the number of full remaining hours in the Gas Flow Day.

5.6.2 Where it is planned or known before the Gas Flow Day that (by reason of failure, repair or maintenance of such facilities, whether or not resulting from Force Majeure) the injection facilities at a Transco LNG Storage Facility will not be in operation for any reason (other than as a result of interruption by Transco as set out in paragraph 5.8) in any period (not being an Injection Maintenance Period) in the Transco LNG Injection Period, or any period outside the Transco LNG Injection Period in respect of which a User has submitted a notice in accordance with paragraph 5.4:

- (a) Transco LNG Storage may notify Users that injection to that facility for such period is cancelled, by notice ("cancellation notice") given not later than 12:00 hours on the Preceding Day, and specifying such period of cancellation; and
- (b) where a cancellation notice is given, the Users' Storage Nomination Quantities pursuant to Storage Injection Nominations for such Day(s) in which the period falls will be deemed to be reduced to such quantities as may be notified by Transco LNG Storage (provided no User shall have a deemed Storage Nomination Quantity pursuant to this paragraph greater than the Storage Nomination Quantity contained in the User's Storage Injection Nomination(s) for such Day(s)).

5.6.3 Where:

- (a) in the circumstances in paragraph 5.6.2 Transco LNG Storage does not give a cancellation notice for a Day; or

(b) the injection facilities at a Transco LNG Storage Facility become non-operational after 12:00 hours on the Preceding Day;

then, without prejudice to paragraph 1.5, the Storage Nomination Quantities of Users will not be affected and shall be deemed to be those in the prevailing Storage Injection Nominations.

5.6.4 For each Day where Transco LNG Storage submits a cancellation notice or cancellation notices pursuant to 5.6.2 for the relevant Transco LNG Storage Facility such that the aggregate period or periods of cancellation exceeds three hundred and sixty (360) hours in the Transco LNG Injection Period, then Transco LNG Storage will pay to each User holding Available Storage Injectability at the relevant Transco LNG Storage Facility for the Gas Flow Day in question an amount calculated as:-

$$(C / 183) * (U-F)$$

where:

C is the Applicable Storage Injectability Charge Rate;

U is the Storage Nomination Quantity under the User's Storage Injection Nomination (but for the avoidance of doubt not exceeding the User's Available Storage Injectability) for the Day; and

F is the quantity of gas injected or deemed to be injected into the Transco LNG Storage Facility by the User during the Gas Flow Day in question.

## **5.7 Transco LNG Storage Injection Failure**

5.7.1 Where for any Day:

(a) a User makes in respect of a Transco LNG Storage Facility a Storage Injection Nomination which complies with the requirements of this Section Z, and

(b) Transco LNG Storage is in breach of paragraph 5.3.



Transco LNG Storage will pay to the User an amount calculated in accordance with paragraph 5.7.2.

5.7.2 The amount payable by Transco LNG Storage shall be determined as:

$(C / 183) * (U-F)$

where:

C is the Applicable Storage Injectability Charge Rate;

U is the Storage Nomination Quantity under the User's Storage Injection Nomination (but for the avoidance of doubt not exceeding the User's Available Storage Injectability) for the Day; and

F is the quantity of gas injected or deemed to be injected into the Transco LNG Storage Facility by the User during the Gas Flow Day in question.

5.7.3 Upon any failure of the injection facilities of a Transco LNG Storage Facility:

(a) Transco LNG Storage will (promptly upon such failure occurring) inform each relevant User of such failure, and of the approximate quantities already injected by the User, and the estimated impact of such failure upon the quantities to be injected by the User, on the Day of the failure (but no such notification shall prejudice the question whether such failure is Force Majeure);

(b) each such User may elect, by making a Renomination of its Storage Injection Nomination, to continue to inject such quantities as Transco LNG Storage have notified are available for injection by the User or to discontinue further injection on the Day.

5.7.4 Where Transco LNG Storage wilfully or recklessly fails to operate (where otherwise capable of operation) the injection facilities of a Transco LNG Storage Facility, the quantity of gas injected by a User into such facility shall, notwithstanding such failure, be equal to the Storage Nominated Quantity (and accordingly paragraph 5.7.1 shall not apply).

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## **5.8 Transco Interruption of Injection**

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5.8.1 In respect of a Transco LNG Storage Facility, where Transco notified Transco LNG Storage that it requires the interruption of the offtake of gas at a Storage Connection Point pursuant to Section R3.2, Transco LNG Storage may in respect of the Day in relation to which Transco so notified Transco LNG Storage cancel injection or reduce the quantities injected by Users to such facility for the purposes of avoiding or limiting a Transportation Constraint which Transco anticipates would otherwise arise.

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5.8.2 Where Transco LNG Storage cancels injection or reduces injection quantities under paragraph 5.8.1, Transco LNG Storage will revise on behalf of Users their Storage Injection Nominations and notify such revised Storage Nomination Quantities as soon as reasonably practicable after the requirement for interruption was known.

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5.8.3 Where in respect of a Transco LNG Storage Facility Transco LNG Storage is in receipt of a notice from Transco pursuant to Section R3.2 in respect of the interruption of the offtake of gas at the Storage Connection Point, Transco LNG Storage will indemnify the User and hold it harmless against any charges payable by the User to Transco pursuant to Section G6 in respect of the failure by the User to interrupt the offtake of gas at the relevant Storage Connection Point.

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## **5.9 Emergencies**

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5.9.1 On any Day during a Gas Supply Emergency Transco LNG Storage may take steps to suspend injection of gas at a Transco LNG Storage Facility in order to comply with Transco's instructions pursuant to Section Q3.3.3 notwithstanding the Users Nominations in respect of such Day, and where Transco LNG Storage takes such steps the aggregate quantity injected on such Day will be apportioned between Users in the same proportions as their respective Available Storage Injectability on such Day.

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5.9.2 Paragraph 6.7.2 shall apply in the event of a Network Gas Supply Emergency.

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5.9.3 Following a Gas Supply Emergency Transco LNG Storage will cooperate with Users with a view to enabling Users to inject quantities into Transco LNG Storage Facilities (notwithstanding such injection may conflict with any requirements under this Section Z) to

replace gas withdrawn from Transco LNG Storage Facilities during the Gas Supply Emergency.

## **5.10 Storage Injectability Refund**

5.10.1 Where a User has satisfied the conditions set out in paragraph 5.10.2, the provisions of paragraph 5.10.3 shall apply.

5.10.2 The conditions referred to in paragraph 5.10.1 are that:-

- (a) the User has gas-in-storage less than its Registered Storage Space in a Transco LNG Storage Facility at the end of the Transco LNG Injection Period; and
- (b) the sum of:-
  - (i) the user's opening balance; plus
  - (ii) the aggregate of the Storage Nomination Quantities of Storage Injection Nominations made by the User in respect of the relevant Transco LNG Storage Facility during the Transco LNG Injection Period; plus
  - (iii) the aggregate quantities of gas-in-storage transferred to the User as transferee during the Transco LNG Injection Period; less
  - (iv) the aggregate of the Storage Nomination Quantities of Storage Withdrawal Nominations made by the User in respect of the relevant Transco LNG Storage Facility during the Transco LNG Injection Period; less
  - (v) the aggregate quantities of gas-in-storage transferred by the User as transferor during the Transco LNG Injection Period;

is (other than as a result of any interruption pursuant to paragraph 5.6.1 or cancellation pursuant to paragraph 5.6.2) greater than or equal to the Registered Storage Space of the User.

5.10.3 Where this paragraph applies, the User shall be entitled (upon giving notice to Transco LNG Storage in accordance with paragraph 5.10.4) to return to Transco LNG Storage an amount of Storage Space equal to the amount of the User's Registered Storage Space which exceeds the User's gas-in-storage, as referred to in paragraph 5.10.2(a).

5.10.4 The notice referred to in paragraph 5.10.3 shall:-

(a) be given with 5 Days of the end of the Transco LNG Injection Period for the User in question; and

(b) specify the quantity of Storage Space to be returned.

5.10.5 The return referred to above shall take effect on the Day falling 10 Days after the end of the Transco LNG Injection Period for all Users. The User's Registered Storage Space shall be reduced by the amount of Storage Space returned to Transco LNG Storage pursuant to this paragraph 5.10. The Available Storage Space of any other User or Users to whom the returned Registered Storage Space had been transferred pursuant to this Section Z shall likewise be reduced accordingly.

5.10.6 Where a return takes effect pursuant to this paragraph 5.10, Transco LNG Storage shall pay to the User an amount equal to the Applicable Storage Space Charge Rate in respect of the quantity of Storage Space returned."

Amend paragraph 6.1.5(c) to read as follows:

“... given not later than the Day before the LNG Storage Injection Nomination Time.”

Amend paragraph 6.2.1 to read as follows:

“Subject to the provisions of this Section Z and Section R4, a user may make ...”

Amend paragraph 6.2.2 to read as follows:

“... or a Storage Nomination a “**relevant Storage Withdrawal Nomination**”) the implied withdrawal rate ...”

Amend paragraph 6.2.3 to read as follows:

“Where a User makes a relevant Storage Withdrawal Nomination in respect of which . . .:

- (a) a Storage Overrun Charge in accordance with paragraph 7.1; and
- (b) any Storage Management Charge . . .”

Amend paragraph 6.2.4 to read as follows:

“Where a User makes a relevant Storage Withdrawal Nomination in respect of . . . reject the relevant Storage Withdrawal Nomination; . . . does not reject the relevant Storage Withdrawal Nomination the User shall pay a Storage Management Charge . . .”

Amend paragraph 6.2.5 to read as follows:

“For the purpose of this Section Z, in relation to a relevant Storage Withdrawal Nomination:

- (a) . . .;
- (b) . . .;
- (c) . . .:
  - (i) . . .;
  - (ii) . . . prevailing immediately before the relevant Storage Withdrawal Nomination;
- (d) . . . the Flexibility Quantity under the relevant Storage Withdrawal Nomination divided . . .;
- (e) . . . from the time when the relevant Storage Withdrawal Nomination becomes effective . . . (i) the time when a further relevant Storage Withdrawal Nomination becomes effective, . . . calculating the relevant period, a relevant Storage Withdrawal Nomination shall become effective . . .”

Amend paragraph 6.2.6 to read as follows:

“... as at any time after the LNG Storage Withdrawal Nomination Time, is the period of notice ...”

Amend paragraph 6.2.7 to read as follows:

“With effect from the LNG Storage Withdrawal Nomination Time ...”

Amend paragraph 6.3 to read as follows:

“In accordance with paragraph 1.2.2, but subject to paragraph 1.5 and to any other provisions to the contrary in this Section Z, Transco LNG Storage shall ...”

Amend the heading to paragraph 6.6 to read as follows:

“Transco LNG Storage Withdrawal Failure”

Amend paragraph 6.6.3(b) to read as follows:

“... continue to withdraw such quantities as Transco LNG Storage has notified are available for withdrawal ...”

Amend paragraph 7.1.1 to read as follows:

“ ...

(a) ...

(b) ...

(c) ...

(d) ... available withdrawal rate, and/or

(e) in respect of a Storage Injection Nomination, the implied injection rate exceeds the available injection rate;

the User shall pay a charge . . .”

Amend paragraph 7.1.2 by inserting a new sub-paragraph (d) as follows:

“(d) for the purposes of paragraph 7.1.1(e), at a rate equal to the Daily Injection Overrun Price.”

Add a new paragraph 7.1.7 as follows:-

“7.1.7 For the purposes of this Section Z:-

(a) “Daily Injection Overrun Price” shall mean the rate (in pence per kWh) applicable to the Gas Flow Day in question, as notified by Transco LNG Storage to Users not later than 12:00 on the later of:-

(i) the Day falling 15 Days prior to the Gas Flow Day in question, or

(ii) the first Day of the injection lead time in respect of the Gas Flow Day in question,

provided that the such rate shall not be greater than the Monthly Injection Overrun Cap; and

(b) “Monthly Injection Overrun Cap” shall mean the rate (in pence per kWh) set by Transco LNG Storage no later than the thirteenth day of the month preceding the month in which the Gas Flow Day falls and shall mean the lesser of:-

(i) 0.1365 pence per kWh, or such lower amount as may be specified in the Annual Storage Invitation; and

(ii) the rate calculated as follows:-

(ASGP - ACP)

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Where:

ASGP is calculated as:  $(ASAP + EFPA)$

2

Where:

ASAP is the average of the System Average Price for each Day from 1 May in the current Storage Year up to (but not including) the Day on which the Monthly Injection Overrun Cap is set by Transco LNG Storage. For the avoidance of doubt, ASAP shall be zero for any injection overrun that occurs in the month of May in any Storage Year;

EFPA is the average of prices published in the European Spot Gas Markets – The Heren Report (“Heren”) on the Day on which the Monthly Injection Overrun Cap is set by Transco LNG Storage for each Day from the Day on which the Monthly Injection Overrun Cap is set by Transco LNG Storage up to (and including) 31 October in the current Storage Year. For the avoidance of doubt, EFPA shall be zero for any injection overrun that occurs after 30 November in any Storage Year; and

ACP is the price, published in Heren on the Day on which the Monthly Injection Overrun Cap is set by Transco LNG Storage, for the month in which the injection overrun occurs;

Provided always that, where ACP is greater than ASGP, then the rate calculated as set out in this paragraph (ii) shall be deemed to be zero; and

Provided further that in the event that any index referred to above ceases (either temporarily or permanently) to be published or made available then this paragraph (ii) shall cease to apply.”

Delete paragraph 7.2 in its entirety and replace with “Not Used”.



***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:

**NT & T**

Date: