

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0608
"Amendments to LNG Services from 2003/4"
Version 1.0

Date: 09/01/2003

Proposed Implementation Date: 01/05/2003

Urgency: Non-Urgent

Justification

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 bi-lateral 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.

Nature of Proposal

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

- A User would be allocated separate injection rights when it purchased a bundled unit of capacity, in order to facilitate trading of injection capacity between Users.
- The injection period would run from 1 May to the later of (a) 31 October and (b) 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. This compensation would be calculated as the facility injection charge rate multiplied by the quantity of a customer's firm injection that had been cancelled for each hour on the day of cancellation.
- 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.
- A User would be permitted to nominate greater than its injection rate but 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.

Purpose of Proposal

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.

Consequence of not making this change

Users would not be able to take advantage of the flexibility that Transco LNG facilities are able to provide.

Area of Network Code Concerned

Section Z

Proposer's Representative

John J Bradley (Transco)

Proposer

Tim M Davis (Transco)

Signature

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