

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0533
"Flexibility Improvements to LNG Injection and Capacity Trading"
Version 1.0

Date: 15/02/2002

Proposed Implementation Date: 01/05/2002

Urgency: Non-Urgent

Justification

The LNG Annual Storage Invitation is issued in March of each year and potential storage users need clarity beforehand on the services available from Transco LNG. Transco LNG has outlined the proposed changes in the LNG Injection and Capacity Trading regime within the Planning and Security (including Storage) Workstream (PSS) and this Workstream has recommended that a proposal of this nature should proceed to consultation without delay.

Nature of Proposal

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

- **Firm Injection Capacity Rights**

- A User would be allocated firm injection rights when it has purchased a bundled unit of capacity (eg an Avonmouth bundle would give a User rights to 1 kWh/d of deliverability, 5 kWh space and 0.0157 kWh/d injection (based on a 318 day fill)). This would facilitate trading of injection between Users.
- A User would have the ability to transfer injectability in addition to space and/or deliverability.
- Transco LNG would not be able to cancel firm injection capacity rights after 16:00 D-1. However, Transco LNG would be able to interrupt injection where firm capacity rights did not apply.
- The injection period for a facility would include the number of days required to fill a User's inventory from empty, based upon their firm injection rate (taking into account any cancellation days) but Transco LNG would be permitted to exclude from the injection period:
 - Specific days where a User's unfilled space was zero and;
 - From 1 November, each day where a User has not nominated to the extent of its full firm injection entitlement for all the preceding days within that month.
- The firm injection period would, however, include all days between 1 May to 31 October inclusive.
- Where Transco purchases capacity in accordance with the terms of its Gas Transporter Licence, its injection capacity entitlement shall be its storage space

booking divided by the total filling period as defined in Section Z5.1.4 of the Network Code.

- **Injection Re-Nominations**

- For each gas day, Transco LNG would not approve a User's injection nominations (or re-nominations) earlier than a notified number of days prior to that gas day, the "Injection Lead Time".
- The Injection Lead Time would be a maximum of 15 days but lesser lead times may be notified by Transco LNG to Users on a daily basis.
- Should additional injection capacity become available after the injection lead-time has elapsed, Transco LNG may permit Users' injection re-nominations.

- **Cancellation/Injection Availability**

- Transco LNG would be permitted to cancel injection.
- Transco LNG would be required to apply compensation if injection were cancelled for more than 15 days at a facility. This "Injection Cancellation" compensation would be calculated as the "Applicable Storage Injection Charge Rate" divided by 365 and multiplied by the ratio of a User's firm injection nomination to the firm injection nominations of all other Users at that site on that day.
- The Applicable Storage Injection Charge Rate shall be defined in a manner consistent with the present Network Code definition of Applicable Storage Withdrawal Charge Rate.

- **Injection Outages**

- Planned injection outages would be notified in the Annual Storage Invitation.
- Between 1 May and 31 October, planned injection outages would be limited to 15 days.

- **Access to Unused Capacity (Overruns)**

- A User would be permitted to nominate greater than its firm injection quantity but would incur an "overrun charge". The overrun charging mechanism would be published in the Annual Storage Invitation and the price calculated under that mechanism would be published prior to the relevant injection lead times.
- A User would not be permitted to inject gas to a level greater than its registered space or re-nominate down to a level lower than the part-day quantity that had already flowed.
- A User that is not initially allocated its full nominated quantity (ie including overruns) would be allocated a proportion of its quantity nominated in excess of its firm capacity booking. This proportion would be calculated by multiplying the quantity of injection overrun delivered by the ratio of the User's nomination in excess of its firm capacity booking and the excess nominations of all other Users at that site on that day.

- The quantity of injection capacity available for overrun would be defined as the available facility injection rate (ie that which is physically available on the day) minus firm injection nominations.
- The quantity of injection overrun delivered would be defined as the rate that is physically delivered on the day minus firm injection nominations.
- Transco LNG would be permitted to interrupt injection overruns up to the hour bar for the following gas hour and would endeavour to make any necessary interruptions immediately after the injection lead-time has passed.
- **Winter Injection**
 - Winter Injection "Injection outside Injection Period" would continue as now but would allow more flexible lead times.
 - These lead times would be published beforehand
- **Minimum Constrained Inventories**
 - Transco LNG would continue to provide Transco with information on the maximum constrained inventories that could be achieved for the following storage year and would take into account any limitations on facility injection rates that, in turn, might place limitations on Transco's minimum constrained inventories.
 - Transco would continue to take these limitations into account when defining minimum constrained inventories for the following storage year.
- **Trading of Injection and Withdrawal Capacity**

Users would be permitted to trade Injection and/or Withdrawal Capacity on a part-day basis, consistent with existing storage overrun determinations. In terms of the total quantity traded, this would also provide consistency with Network Code trading calculations for Entry Capacity.

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 will influence the actions of potential storage users in the Annual Storage Invitation process and in their decisions on use of services provided by other parties. This would 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 would be able to provide.

Area of Network Code Concerned

Section Z5

Proposer's Representative

John J Bradley (Transco)

Proposer

Tim M Davis (Transco)

Signature

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