

Modification Report
Flexibility Improvements to LNG Injection and Capacity Trading
Modification Reference Number 0533

Version 1.0

This 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 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.

2. Transco's Opinion

Transco believes that implementation of this Modification Proposal would lead to an improvement in the flexibility of services offered by Transco LNG. This in turn would lead to Users improving their valuation of Transco LNG services and this would be reflected in the prices obtained as a result of the Annual Storage invitation.

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

By improving the flexibility 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 use of services provided by other parties. This would better facilitate the securing of effective competition between relevant shippers.

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 the implementation of this Modification 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 that 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 has already developed computer systems which have the flexibility of accommodating the proposed changes.

7. The implications of implementing the Modification Proposal for Users

Users would be offered a more flexible capacity and injection 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 Consumers.

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 an extended and more flexible capacity transfer and injection regime and this would allow transfer of injection, space and deliverability capacity rights.

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)

Representations were received from British Gas Trading (BGT) and TotalFinaElf Gas and Power (TFEGP).

TFEGP confirmed its support for the Modification Proposal stating that "We are satisfied that the specific detail and service definitions contained within this proposal will help all potential Users of LNG to better determine the value, and thereby inform bidding strategies for the procurement of LNG services on offer in the forthcoming annual LNG storage tender. Furthermore, we believe that this clarification will also encourage the subsequent trading of LNG services".

BGT confirmed its support for the Modification Proposal and the expectation that it would bring improvements to the LNG Injection and Capacity Trading regime. However, BGT requested that consideration be given to the following amendments:

Compensation for Cancellation of Injection

"BGT believe that the "compensation" payable in respect of cancellation of injection is insufficient in relation to the exposure potentially faced by Transco LNG's customers. No compensation at all is payable unless Transco LNG cancel injection for more than 15 days (in a year?) at a facility. Thereafter the "Injection Cancellation" compensation seems very low value given that potentially it could cause a customer to fail to fill his booking and thereby lose all value from part of his booking."

Accepting that there is a remote chance of this occurring, BGT proposed that if Transco LNG cancel injection, and as a result, a customer is unable to fill its booking by 1 November, other than by procuring additional injection in the secondary market, then a customer should be entitled to cancel a proportion of the booking. The proportion a User would be entitled to cancel should not exceed that quantity which would be empty assuming a User injects at its maximum firm entitlement and makes no withdrawals or trades of gas in store up to and including 31 October. If a User exercises this right then it should be entitled to a refund of all capacity charges in respect of cancelled capacity plus a supplement of 25%. BGT also suggested that Transco LNG could also choose to "buy-back" rights from customers at a negotiated rate (eg via a non-discriminatory and market related tender). Furthermore, BGT suggested that Transco LNG, at its discretion, should be allowed to reduce an injection entitlement rather than cancel it completely. A calculation for determining compensation in this instance was provided.

Transco Response

Whilst Transco has sympathy with BGT's proposal for compensation for cancellation of injection, the Annual Storage Invitation clarifies present rules and it would be impractical to make these changes for the 2002-2003 Storage Year. However, Transco LNG will consider these suggestions for inclusion in

future Annual Storage Invitations. Transco notes that the level of compensation described within this Modification Proposal exceeds that currently within the Network Code (Z5).

Charges for Overruns

"Secondly, BGT observes that BG Storage (and latterly Dynegy Storage) have been bound by upper limits on the over-run prices they can charge, and that the actual over-run prices are set in advance (either a day ahead for injectability or deliverability or a week ahead for space) by the storage operator at levels not exceeding the prescribed maxima. The Modification seems not to envisage any limit on the over-run charges that Transco LNG would apply provided only that the levels are declared in the Annual Storage Invitation. Given that the access to the over-runs may prove particularly valuable, the ability to set these may confer considerable market power. BGT concludes that there must be some restraint on the levels of over-run charges Transco LNG are entitled to apply."

Transco Response

Transco believes the operation of the market will itself limit Users' exposure to high overrun charges and would suggest that this is an issue for consideration in future Annual Storage Invitations.

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 the changes to the LNG Injection and Capacity Trading regime from 1st May 2002. Transco is not aware 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 2002.

17. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

19. Text

Legal Text

SECTION P: TOP-UP STORAGE

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 complied with;

(iii) for Storage Deliverability or Storage Injectability or Storage Space. . . ;

(iv) . . . ; or

(v)”

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 4.2.1 to read as follows:

“...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 . . .”

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. . .”

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, or such other time and date (not being more than fifteen (15) Days prior to the Gas Flow Day to which the Storage Injection Nomination relates) as Transco LNG may from time to time advise Users in respect of the Gas Flow Day.”

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 . . .”

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) . . .;
- (g) . . .;
- (h) . . .;
- (i) . . .;
- (j) . . .;
- (k) such rate as is applicable for the purposes of paragraph 7.1.2(d); and
- (l) such other matters . . .”

. . .”

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(l) 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, no later than four (4) Days after the LNG Storage Injection Nomination Time in respect of the relevant 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 where either:-
 - (i) the User does not have a Storage Nomination Quantity pursuant to a Storage Injection Nomination equal to its Available Storage Injectability or
 - (ii) the User has no unfilled Storage Space.

5.1.2 The User may 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.

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

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

- (a) an “**Injection Maintenance Day**” is a Day 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 number of Injection Maintenance Days shall not exceed what is reasonably required for the purposes of the relevant maintenance, and in any event shall not exceed fifteen (15) Days in any Transco LNG Injection Period;
- (c) the Injection Maintenance Days shall be specified in the Annual Storage Invitation, provided that Transco LNG Storage may revise (but without prejudice to paragraph (b)) the Days which are Injection Maintenance Days in any month by notice to relevant Users given not later than the LNG Storage Injection Nomination Time.

5.1.5 Users may inject gas into a Transco LNG Storage Facility on an Injection Maintenance Day 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 Day 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.

5.2 Nominations and Renominations and Flexibility Nominations

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.

5.2.2 A User may make a Storage Renomination in respect of a Storage Injection Nomination at any time prior to the LNG Storage Injection Nomination Time.

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 exceed the available injection rate and 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.

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.

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.

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

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 Maximum Storage Injectability the Requested Injection Quantities of all Users will be modified in accordance with paragraph 5.2.11.

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 aggregate Available Storage Injectability;
- (b) no User has a revised Storage Nomination Quantity greater than its Requested Injection Quantity; and
- (c) the revised Storage Nomination Quantities of Users whose revised Storage Nomination Quantities are not greater than their respective Requested Injection Quantities are in the same proportions as their respective Available Storage Injectability.

5.3 Quantity injected

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.

5.4 Injection outside the Transco LNG Injection Period

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.

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.

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.

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.

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.

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.

5.5 Injection Charges

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.

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

5.6 Cancelled Injection and Interruption

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 immediately cancel 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 cancellation, 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 LNG Storage Injection Nomination Time 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 on part or all of any one or more Days (not being Injection Maintenance Days) in the Transco LNG Injection Period or any one or more Days 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 that Day or Days (or part thereof) is cancelled, by notice ("**cancellation notice**") given not later than the LNG Storage Injection Nomination Time and specifying such Day(s) or part thereof;
- (b) where a cancellation notice is given, the Users' Storage Nomination Quantities pursuant to Storage Injection

Nominations for such Day(s) or part thereof will be deemed to be zero.

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 the LNG Storage Injection Nomination Time; or
- (c) Transco LNG Storage has submitted a cancellation notice or cancellation notices for the relevant Transco LNG Storage Facility in respect of more than fifteen (15) Days in the Injection Period,

and 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 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.

5.6.5 Where Transco LNG Storage cancels injection or reduces injection quantities under paragraph 5.6.4 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.

5.6.6 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.

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:

$$(C / 365) * (U-F)$$

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).

5.8 Emergencies

5.8.1 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.

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

5.8.3 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.”

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 6.2.2 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 the heading to paragraph 6.6 to read as follows:

“Transco LNG Storage Withdrawal Failure”

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 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 such rate as is specified in the Annual Storage Invitation.”

Amend paragraph 7.1.5 to read as follows:

“ . . . references in this paragraph 7.1 to the Applicable Storage Space Charge Rate are to the weighted average price of the top fifty percent (50%) by volume of accepted bids for Storage Capacity in respect of that Transco LNG Storage Facility plus 0.1 pence.”

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

Signed for and on behalf of Transco.

Signature:

Tim Davis
Head of Regulation NT&T

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0533**, version **1.0** dated **04/04/2002**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **1.0**.

Signature:

Process Manager - Network Code

Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriateprovided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.