

Modification Report
Removal of Section Z and related Changes to the Network Code
Modification Reference Number 0548
Version 2.0

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

It is proposed to amend the Network Code by removing Section Z and making consequential changes to various other Sections. The amended Network Code would still contain the existing general terms applicable to all Storage Operators, but not any specific references to Transco LNG. This would promote the operation of Transco's LNG business in a manner consistent with other Storage Operators.

Transco expects that for the remaining part of the Storage Year 2002-03, Section Z will be replaced by separate LNG Storage Services Contracts, incorporating similar terms to those currently within Section Z. Thereafter, these would be replaced with more flexible terms consistent with the final form of regulation for LNG, to be agreed with Ofgem. Transco assumes that Users would wish to have some clarity on the form of regulation for LNG prior to finalising their responses. It therefore proposes that consultation on this Modification Proposal takes place in parallel with the development of the LNG Storage Services Contract, which will be consistent with the final form of regulation.

2. Transco's Opinion

In order to facilitate development of competitive storage services outside the existing Transco GT licence arrangements, Lattice Group has proposed to separate the LNG business from Transco. This Modification Proposal is required to facilitate the implementation of separate contractual arrangements between the LNG business and its customers.

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

Separation of Transco's LNG facilities is consistent with Transco's objective in securing effective competition between relevant Shippers and also the efficient discharge of its obligations under its Gas Transporter Licence.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

Transco has not identified any implications for the operation of the System.

b) development and capital cost and operating cost implications:

Transco is not aware of any development costs required to implement 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 anticipate that implementation of this Modification Proposal would lead to an increase of costs.

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

Transco has not identified any consequence 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

Transco does not anticipate any increase to its level of contractual risk. Some areas of present contractual risk will be reduced as a result of transfer from Transco to Lattice Group LNG under the contractual framework to separate the LNG business.

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

Transco does not anticipate any development implications for its computer systems or the related systems of Users.

7. The implications of implementing the Modification Proposal for Users

Implementation of this Proposal would facilitate the separation of the LNG business from Transco, which in turn would facilitate the development of competitive and flexible storage services beneficial to Users.

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

Following implementation of this Modification Proposal, the Network Code would still contain the existing general terms applicable to all Storage Operators. The remainder of applicable references in Section Z would be contained within separate LNG Storage Services Contracts. Transco does not therefore anticipate any adverse implications.

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

This Modification Proposal reflects the proposed changes in contractual relationships between Transco as Gas Transporter, the operator of LNG Storage facilities and Users.

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

Advantages

- would facilitate the development of competitive and flexible storage services to benefit Users.
- consistent with the efficient discharge of Transco's obligations.
- consistent with Ofgem's views expressed in the Final Proposals for SO Incentives.

Disadvantages

- 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 the following:

Respondent	Response
AEP Energy Services Limited (AEP)	Not Supported
Association of Electricity Producers (Assoc of EP)	Not Supported
British Gas Trading Limited (BGT)	Not Supported
Powergen UK plc (Powergen)	Not Supported
Scottish Power UK plc (Scottish Power)	Supported
SSE Energy Supply Limited (SSE)	Not Supported

Interaction with Ofgem Consultation Process

AEP referred to Ofgem's preliminary view that "behavioural undertakings will be necessary to address concerns about Lattice's market power following the transfer" and that it believed "it would be inappropriate to remove Section Z from the Network Code until such arrangements are in place."

Assoc of EP expressed concern "over the proposed timescale (1 September) for the introduction of these changes given that Ofgem is currently consulting upon the transfer of LNG facilities from Transco to a company of the Lattice Group."

BGT contended that it would be "premature and presumptuous to seek to separate TLNGS activities from Transco's Network Code on the assumption that there should be no immediate changes either to the relations between Transco and TLNGS or to the relations between TLNGS and its LNG Users or with shippers in general (for example via neutrality arrangements) before responses to the

Consultation Paper have been considered and Ofgem's conclusions and proposals have been promulgated."

Powergen commented that it "seems somewhat premature to be consulting on removing Section Z from the Network Code and other miscellaneous changes to the storage terms, when Ofgem are currently consulting on this issue. Indeed the close-out for the consultation is 16 August, without the time Ofgem need to make their recommendations."

Scottish Power, which supported implementation of this Modification Proposal, expressed concern that "modifications are written which pre-empt decisions on industry consultation (especially prior to the close out on the consultation which is what the close-out date of this mod was meant to be linked to)." However, it agreed that "these changes should be made to Network Code....and appreciate the difficulty faced by Transco LNG in setting a date for implementation."

SSE referred to the Ofgem consultation and concluded that it "is therefore clear that at this time we do not have clarity regarding the regulatory framework for LNG and on this basis SSE believes that it is not appropriate at this stage to remove references to Transco LNG contained within the Network Code."

Transco Response

The Network Code Modification Panel agreed with the suggestion of the Planning and Security (including Storage) Workstream (PSS) that consultation on this Modification Proposal should be linked with the publication of Ofgem's consultation document. Consequently, Transco requested representations within fifteen working days of the publication date of that document. Whilst Ofgem's consultation was still ongoing at the date of close-out, this Modification Proposal is compatible with the view expressed within its Consultation Document that implementing the proposed transfer of Transco's LNG business would give rise to the removal of specific references to LNG from the Network Code.

Implementation Date of the Modification Proposal

AEP referred to the fact that LNG capacity bookings were on the basis of "existing contractual and governance arrangements" and concluded that "these arrangements should not be disturbed for the duration of existing contracts between Transco LNG and shippers unless there are overwhelming reasons to do so." AEP also did not believe that Lattice/Transco had "provided any good reasons to change the arrangements before the existing contracts expire at the end of April 2003."

Assoc of EP suggested that "it might be more appropriate to delay implementation until the start of the next storage year, this would then avoid the need to develop LNG storage services contracts with undue haste." It then concluded from this that it would support implementation of this Modification Proposal on 1 May 2003.

BGT suggested that Transco withdraw this Modification Proposal and "either this or a revised Modification should be presented to shippers for approval with a view to implementation at the same time as any separation occurs and at the same time that complementary contractual terms would be introduced."

Powergen stated its preference of a "delay, either until the next storage year or at least until after the conclusions of Ofgem's consultation are known."

SSE suggested that "the next stage of the modification process be put 'on hold' until the Ofgem consultation has concluded and that Transco instigate a further consultation into this modification proposal once the regulatory arrangements for the LNG business have been clarified."

Transco Response

Transco LNG does not intend to revise the essential terms of its storage services for the present storage year and this accords with the contract duration. Transco therefore does not believe that deferring the implementation date to 1 May 2003 would give Storage Users any additional contractual comfort or benefit. By specifying an implementation date for this Modification Proposal that was identical to the target implementation date for LNG business separation, Transco was accommodating the view that storage services contracts should be implemented on the same day as this Modification Proposal. As the target implementation date for separation is currently 1 October 2002, Transco is now recommending an implementation date for this Modification Proposal of that date. If the date of separation were to change Transco would support further changes in the implementation date of this Modification Proposal to retain consistency. Transco would also draw attention to its statement in Section 14 below as this indicates consistency with implementation of storage contractual arrangements. Transco does not believe it appropriate, under the present Modification Rules, to withdraw this Modification Proposal.

Specific Storage Services

BGT pointed out that whilst "it is clear that Lattice and Ofgem have both supported some form of separation, and that as a consequence Transco should purchase services from the separated LNG Storage company in a non-discriminatory manner, many aspects appear to remain uncertain." BGT referred to specific services provided to Transco such as transmission support, Top-Up and Operating Margins and stated for example that, "the existence of a separate Section on Top-Up Storage in LNG Facilities indicates that Lattice remains of the view that TLNGS has a "special role" by contrast with that of other Storage Operators, a view that BGT supports." BGT in consequence expressed concern that "the Modification seeks to maintain TLNGS's existing relationship with Transco substantially unchanged even as views are being sought as to whether the current processes are inappropriately 'discriminatory or preferential'."

Transco Response

For the remainder of the present Storage Year Transco believes that there should be no change in the services provided to Transco by the LNG business and would point out that this is consistent with comments other respondents have made in respect of storage services. Transco has already begun to discuss with Users the development of contestable services for transmission support and Operating Margins and is committed to this process including any consequential changes to the Network Code. Transco is also in discussion with Users on the development of the Top-Up rules and believes that it is appropriate to continue operations under existing rules whilst these discussions continue.

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

Implementation is not 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

Implementation is not required to have regard for 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.

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

Transco will ensure that the programme of works as a consequence of implementing this Modification Proposal will be consistent with the implementation of contractual arrangements between Lattice LNG and Storage Users, including Transco.

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

Subject to implementation of separation of Transco's LNG business on the same date, Transco proposes an implementation date of 1 October 2002.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of this Modification Proposal.

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 B: SYSTEM USE AND CAPACITY

Amend paragraph 1.7.1(a) to read:-

“ charges (other than Energy Balancing Charges ~~or Storage Charges~~) payable by a User in respect”

Amend paragraph 2.12.5 to read:-

“ in respect of the Storage Connection Point of ~~an LNG~~ a Constrained Storage Facility then, subject to the proviso below, the System Entry Overrun Charge for a User in respect of that ~~LNG~~ Constrained Storage Facility shall be zero for any overrun quantity but only to the extent that and for such part of that Day that the implied rate derived from the Constrained Storage Renomination exceeds the implied rate derived from ~~that User's Registered the~~ Storage Deliverability that User is registered as holding pursuant to the relevant Storage Terms (as defined in Section Z) (in both cases for that ~~LNG~~ Constrained Storage Facility). This paragraph shall only apply”

SECTION K: OPERATING MARGINS

Amend paragraph 1.2.3 to read “Not Used.”.

Amend paragraph 1.2.4 to read:-

“Transco will (~~as to the extent~~ provided in Section Z the relevant Storage Terms) have priority over all other Users in applications for Storage Capacity for Operating Margins Purposes in ~~Transee~~ LNG Storage Facilities.”

Amend paragraph 3.7.1(ii) to read:-

“ Available (in accordance with Sections P3.8.1 and R4.7.4 4) for Top-up and Constrained”

Amend paragraph 3.9 to read:-

“ of a Relevant System Manager to Pay Storage Overrun Charges under ~~Section Z or equivalent charges under other relevant~~ Storage Terms in respect of the withdrawal of gas on.”

SECTION P: TOP-UP STORAGE

Amend paragraph 1.1.3 to read:

“Subject to paragraph ~~4.2.2~~ 1.2.3, the Top-up Manager may . . .”

Amend the heading to paragraph 1.2 to read:

“The Top-up Manager as a Storage User ~~of Transco LNG Storage Facilities~~”

Delete paragraph 1.2.1.

Delete paragraph 1.2.2.

Renumber paragraph 1.2.3 as paragraph 1.2.1 and amend as follows:

“When entering into Storage Terms in respect of a Storage Facility ~~other than a Transco LNG Storage Facility~~ the Top-up Manager shall endeavour to ensure that such Storage Terms contain terms ~~which give the Top-up Manager rights of an~~ equivalent ~~nature~~ to those referred to in paragraph ~~4.2.4~~ 1.2.2, and the Top-up Manager shall . . .”

Insert a new paragraph 1.2.2 as follows:

“1.2.2 The terms referred to in paragraph 1.2.1 are that:

(i) any requirements as to timing and approval of applications for Storage Capacity shall not apply to the Top-up Manager (and the Top-up Manager may apply for capacity in a Storage Facility in accordance with the late booking provisions for that facility);

(ii) any requirements as to the notice required of changes to injection quantities shall not apply to the Top-up Manager;

(iii) Storage Overrun Charges, if any, shall not be payable by the Top-up Manager in respect of injection to a Storage Facility outside the relevant injection period for that facility;

(iv) the Top-up Manager may surrender Storage Capacity in accordance with paragraphs 2.9, 4.1 and 4.4.”

Insert a new paragraph 1.2.3 as follows:

“1.2.3 Where the Top-up Manager applies for Storage Capacity in a Storage Facility, the Top-up Manager shall pay such Storage Capacity Charges as the relevant Storage Terms may provide.”

Amend paragraph 2.1.2(iii) to read as follows:

“. . . . in respect of a Constrained Storage Facility is the amount of Storage Space (as shown in the ~~Annual Storage Invitation Constrained Storage Statement~~) which Transco estimates is required with a view to avoiding a Transportation Constraint”

Amend paragraph 2.2.1 to read as follows:

“After ~~the~~ each Storage Operator has allocated Storage Capacity for a Storage Year to Transco for Systems Operating Margins ~~purposes~~ Purposes and to Storage Users pursuant to the Annual Storage Invitation relevant Storage Terms, ~~The the~~ Top-up Manager will determine, by not later than 31st May in the relevant Storage Year . . . to Storage Users pursuant to the Relevant relevant Storage Terms . . .

(i) . . . is less than the Constrained LNG Storage Requirement;

(ii) . . .;

. . .

(ix)

Amend paragraph 2.3.2 to read as follows:

“the “Storage Space” or (as the case may be) “Storage Deliverability” with which the “Top-up Manager” will be registered as holding under paragraph 2.3.1 in each “Storage Facility” will be equal to the “Uncommitted Storage Space” or “Uncommitted Storage Deliverability”.”

Amend paragraph 2.3.4 as follows:

“Where following the Transee LNG Applicable Invitation Close Date and after the date when the Top-up Manager has made an application for Storage Capacity in a Transee an LNG Storage Facility, any Storage User applies for and is registered as holding Storage Capacity in a Transee an LNG Storage Facility, paragraph 4.4. will apply.”

Amend paragraph 2.5 by putting the paragraph heading in bold text.

Amend paragraph 2.5.2(iv) to read as follows:

“**“Carry-Across Gas”** has the meaning . . .”

Amend paragraph 3.1 to read as follows:

“. . . (in accordance with the relevant Storage ~~terms~~Terms) in respect of . . .”

Amend paragraph 3.3.1 to read as follows:

“. . . within such Applicable Injection Period on which ~~as~~ such an offer is accepted . . .”

Amend paragraph 3.4.1(ii) to read as follows:

“ . . . in respect of all Storage ~~Facility~~ Facility Types.”

Amend paragraph 3.5.2(i) to read:

“ . . . registered as holding any ~~uncommitted~~ Uncommitted Storage Space . . . ”

Amend the paragraph heading to paragraph 3.8 by putting it in bold text.

Replace all references in paragraph 3.8.1 and 3.8.2 to “Carry-across Gas” with “Carry-Across Gas”.

Amend the heading to paragraph 4 to read as follows:

“TOP-UP STORAGE IN ~~TRANSCO~~ LNG STORAGE FACILITIES”

Amend paragraph 4.1.1 to read as follows:

“ . . . (in each case only in relation ~~of a Transco~~ to an LNG ~~Storage~~ Facility) . . . ”

Amend paragraph 4.1.3 to read as follows:

“ . The Storage User’s . . . ”

Amend paragraph 4.1.4(iii) to read as follows:

“ . . . tender pursuant to paragraph ~~2.10, 2.9:~~ ”

Amend paragraph 4.1.9 to read as follows:

“ . . . pursuant to paragraph ~~2.10~~ 2.9. ”

Amend paragraph 4.1.10 to read as follows:

“ . . . other than ~~a Transco~~ an LNG ~~Storage~~ Facility, . . . transfer of gas (~~in a manner akin to a Storage Gas Transfer in accordance with Section Z~~) in favour of such Storage User, . . . seek to give effect to such request as if it ~~where~~ were a request made in respect of ~~a Transco~~ an LNG ~~Storage~~ Facility . . . ”

Delete the paragraph number 4.1.12

Amend paragraph 4.2.1(ii) to read as follows:

“ . . . the Top-up Transferee Storage User will make ~~in accordance with Section Z4.2~~ a Storage Gas Transfer . . . ”

Delete paragraph 4.2.2.

Amend paragraph 4.2.6(i) to read as follows:

“ . . . in notifying to the Storage Operator ~~for the purposes of Section Z5.6~~ a proportionate reduction in the injection quantity for any Day in the Top-up Manager’s Storage Injection Nomination and Confirmed Injection Programme(s) any confirmed injection programme(s) (if permitted pursuant to the relevant Storage Terms) prevailing at the Day the Top-up Storage Transfer . . .”

Amend paragraph 4.2.6(ii) to read as follows:

“ . . . an amount equal to the amount of any ~~Storage Scheduling Charge and/or Storage Management Charge~~ storage scheduling and/or storage management charges payable by the Top-up Manager pursuant to ~~Sections Z7.2 and Z7.3~~ the relevant Storage Terms in consequence thereof.”

Amend paragraph 4.3.3(ii) to read as follows:

“ . . . in respect of the surrendered Storage Capacity by way of Storage Capacity Charges ~~under Section Z2.6~~ under the relevant Storage Terms, on the basis that the User was registered as holding the transferred capacity pursuant to ~~an a late booking~~ application under ~~Section Z3.7~~ the relevant Storage Terms made on the Day . . .”

Amend the heading to paragraph 4.4 to read as follows:

“Surrender on late booking at ~~Transco~~ LNG Storage Facilities”

Amend paragraph 4.4.1(i) to read as follows:

“a Storage User is registered ~~under Section Z3~~ in respect of an LNG Facility as holding Storage Capacity pursuant to an application made after the Applicable Invitation Close Date, and”

Amend paragraph 4.4.2(i) to read as follows:

“ . . . the Storage User was registered as holding ~~under Section 3.7~~ under the late booking provisions of the relevant Storage Terms, and”

Amend paragraph 4.4.3 to read as follows:

“.. . under paragraph 4.4.1 in relation to ~~a Transco~~ an LNG ~~Storage~~ Facility . . . by way of Storage Capacity Charges under ~~Section Z2.6~~ the relevant Storage Terms if the User applied for and was registered as holding . . .”

Amend paragraph 4.4.5 to read as follows:

“ . . . pursuant to paragraph 4.4.1. at a ~~Relevant~~ relevant Storage Facility during the conduct of a tender pursuant to paragraph ~~2.40~~ 2.9 and thereafter . . . ”

Amend paragraph 4.4.6 to read as follows:

“ . . . in respect of a Storage Facility other than ~~a Transco~~ an LNG Storage Facility, . . . ”

SECTION R: STORAGE

Delete paragraph 1.1.2.

Amend paragraph 1.2.1(b) to read:

“ . . . operating a Storage Facility ~~(and, for the avoidance of doubt, Transco LNG Storage may be a Storage Operator);~~ ”

Amend paragraph 1.2.4 to read:

“... in respect of a Storage ~~facility~~ Facility will be established...”

Amend paragraph 1.4 to read:

“ . . . to the following 30th April and, in relation to any Storage Year, the “Preceding Storage Year” is the Storage Year ending at the start of such Storage Year. ”

Amend paragraph 1.5.1 as follows:

“For the purposes of the Code:

(a) . . . ;

(b) . . . ;

(c) “**Applicable Injection Period**” is ; in respect of ;

~~(i) a Transco LNG Storage Facility, the Transco LNG Injection Period;~~

~~(ii) any other a~~ Storage Facility, the period during which Storage Users may inject gas into the facility identified ~~in~~ pursuant to the relevant Storage Terms ;.”

(d) “**Applicable Total Storage Space**” is ; in respect of ;

~~(i) a Transco LNG Storage Facility, the Total Storage Space;~~

~~(ii) any other a~~ Storage Facility, the maximum quantity . . . can be withdrawn during the Storage Year from the facility when full of stored gas (in the case of an LNG Facility, after allowing for LNG boil-off);

(e) **“Applicable Total Storage Deliverability ”** is a in respect of:

~~(i) a Transco LNG Storage Facility, the Total Storage Deliverability;~~

~~(ii) a Storage Facility,~~ the maximum quantity . . .

(f) **“Maximum Injection Rate”** is in respect of a Storage Facility, the maximum quantity . . . during the Applicable Injection Period a;

(g) **“Applicable Invitation Close Date”** is a in respect of:

~~(i) a Transco LNG Storage Facility, the Transco LNG Invitation Close Date;~~

~~(ii) any other a~~ Storage Facility, the date identified . . . for a Storage Year a;

(h) **“Applicable Programmed Injection Days”** are a in respect of:

~~(i) a Transco LNG Storage Facility, Programmed LNG Injection Days;~~

~~(ii) any other a~~ Storage Facility, the ~~days~~ Days in the Applicable Injection Period . . . other than Days on which it is planned or known . . . for any reason a;

(i) **“Applicable User Injection Rate”** in respect of:

~~(i) a Transco LNG Storage Facility, is the User LNG Injection Rate;~~

~~(ii) any other a~~ Storage Facility a is a in respect of a Storage User a a rate . . . by the Applicable Injection Period a;

(j) **“Applicable Storage Nomination Time”** in respect of:

~~(i) a Transco LNG Storage Facility, is the LNG Storage Nomination Time;~~

~~(ii) any other a~~ Storage Facility, is the time . . . made by the Storage User a;
and

(k) **“Applicable Facility Injection Rate”** is a in respect of:

~~(i) a Transco LNG Storage Facility, the LNG Facility Injection Rate;~~

~~(ii) any other a~~ Storage Facility, the injection rate”

(l) a User's “Available” Storage Space in relation to a Storage Facility is the Storage Space which the User holds on the Gas Flow Day in that facility

after taking into account any transfer of Storage Space in accordance with the relevant Storage Terms;

(m) “**Storage Duration**” is, in respect of a Storage User holding Storage Capacity at a Storage Facility, the number of Days obtained by dividing the Storage Space by the Storage Deliverability applied for or registered as held by the Storage User in that facility;

(n) “**Uncommitted**” Storage Space or Storage Deliverability of a Storage Facility is the Maximum Storage Space or Maximum Storage Deliverability less the aggregate Storage Space or Storage Deliverability at such time registered as held by Storage Users pursuant to applications, or subject to applications made but not yet approved, under the relevant Storage Terms;

(o) “**Storage Overrun Charge**” is a charge payable by a Storage User pursuant to the Storage Terms as a result of the Storage User exceeding its Storage Injectability, or its Storage Space or its Storage Deliverability, or the quantity of gas withdrawn or transferred by the Storage User exceeds the Storage User’s gas-in-storage, or in such other similar circumstances as the relevant Storage Terms may provide;

(p) “**Storage Capacity Charge**” is the charge payable by a Storage User pursuant to the relevant Storage Terms in respect of Storage Capacity;

(q) “**Storage Injection Charge**” is the charge payable by a Storage User pursuant to the relevant Storage Terms in respect of Storage Injectability;

(r) “**Storage Deliverability Charge**” is the charge payable by a Storage User pursuant to the relevant Storage Terms in respect of Storage Deliverability;

(s) “**Storage Withdrawal Charge**” is the charge payable by a Storage User pursuant to the relevant Storage Terms in respect of quantities of gas withdrawn from a Storage Facility;

(t) “**Storage Space Charge**” is the charge payable by a Storage User pursuant to the relevant Storage Terms in respect of Storage Space;

(u) “**Maximum Storage Space**” is, in respect of a Storage Facility, Storage Space determined as the Applicable Total Storage Space less the amount of Storage Space at the time subject to arrangements for the holding of Storage Capacity for more than 12 months, arrangements for the withdrawal of gas from the facility as LNG loaded onto road tankers pursuant to paragraph 1.8.3 and that held by Transco for Operating Margins Requirements;

(v) “**Maximum Storage Deliverability**” is, in respect of a Storage Facility, Storage Deliverability determined as the Applicable Total Storage Deliverability less the amount of Storage Deliverability at the time subject to

arrangements for the holding of Storage Capacity for more than 12 months and that held by Transco for Operating Margins Requirements;

(w) “**Applicable Storage Space Charge Rate**” is the annual rate of the Storage Space Charge payable by a Storage User pursuant to the relevant Storage Terms in respect of Storage Space for a Storage Year;

(x) “**Applicable Storage Deliverability Charge Rate**” is the annual rate of Storage Deliverability Charge payable by a Storage User pursuant to the relevant Storage Terms in respect of Storage Deliverability for a Storage Year;

(y) “**Transferor Storage User**” is a Storage User who makes a Storage Gas Transfer to another Storage User;

(z) “**Transferee Storage User**” is a Storage User to whom a Storage Gas Transfer is made by another Storage User;

(aa) “**Transferred Gas-in-Storage**” is, in respect of a Storage Gas Transfer, the quantity of gas subject to such Storage Gas Transfer;

Amend paragraph 1.5.2 to read:

“For the purposes of the Code, in ~~in~~ relation to any Storage Facility:

(a) . . . ;

(b) . . . ;

(c) . . . ;

(d) . . . ;

(e) . . . ;

(f) . . . ;

(g); and

(h)”

Amend paragraph 1.6 to read:

“... for the operation of Section E1.10, ~~irrespective of whether there is a Storage Balancing Arrangement in force pursuant to paragraph 2.2,~~ provided that ...”

Replace the whole of paragraph 1.7 (including the heading thereto) with “Not Used”.

Amend the heading to paragraph 2.1 to read as follows:

“Storage Nominations s Arrangements”

Amend paragraph 4.1.1 to read:

“The ~~Storage LNG~~ Facilities ~~for which Transco LNG Storage is the Storage Operator~~ at Dynevor Arms, . . .”

Amend paragraph 4.1.2 to read:

“. . . in accordance with this paragraph 4. References:

(a) . . .;

(b)”

Amend paragraph 4.2.4 to read:

“The Nomination Quantity (“**Constrained Nomination Quantity**”) under a Constrained Storage Renomination shall be:

~~(a) in the case of a Transco LNG Storage Facility, the Storage Constrained Nomination Quantity determined in accordance with Section Z6.9; and~~

~~(b) in the case of any other Storage Facility,~~ the quantity determined in accordance with the relevant Storage Terms.”

Amend paragraph 4.2.5 to read:

~~“Without prejudice to Section Z6.2.8, on On~~ a Constrained Storage Day. . .”

Amend paragraph 4.2.7 to read:

“. . . Transco will notify Users and :revise the Constrained Storage Renominations such . . . in the case of Constrained Storage Renominations:;

~~(a) in respect of a Transco LNG Storage Facility, equivalent to the Storage Constrained Nomination Quantities determined in accordance with Section Z6.9.4; and~~

~~(b) in respect of any other Storage Facility,~~ equivalent to the quantities determined in accordance with the relevant Storage Terms.”

Amend paragraph 4.6.3 to read:

“. . . relevant percentage of the User’s Available Storage Space ~~(as defined in Section Z)~~, for which purpose. . . determined as the relevant percentage

of the Maximum Storage Space ~~(less Storage Space held by Transco for Operating Margins Purposes)~~ in the Constrained Storage Facility.”

SECTION U: UK LINK

Amend paragraph 5.1.2(b) to read:-

“an offer by a User to another User to make a System Capacity Transfer, as Transferee User”, and delete sub-paragraphs (i) and (ii).

Amend paragraph 5.1.4 to read:-

“. . . . another User a Capacity Transfer, or Trade Nomination ~~or Storage Transfer~~ other than”

Amend paragraph 5.4.2 to read:-

“For the purposes of paragraph 5.4.1, the “**Trade Notices**” are the notices required under Section B5.2.1.”,

and delete sub-paragraphs (i) and (ii).

Amend paragraph 2.2 of Annex U-1 to read:-

“For the purposes of this Annex:

(a) “**applicable daily rate**” means :-

~~(i) in respect of System Capacity, the Applicable Daily Rate (in pence per kWh/Day) of the relevant Capacity Charge; and~~

~~(ii) in respect of Storage Space, the Applicable Storage Space Charge Rate (in pence per kWh of Storage Space for a Storage Year) divided by 365; and~~

~~(iii) respect of Storage Deliverability, the Applicable Storage Deliverability Charge Rate (in pence per kWh of Storage Deliverability for a Storage Year) divided by 365;~~

(b) “**Capacity Transfer**” means a System Capacity Transfer ~~or a Storage Capacity Transfer~~;

(c) . . . ;

(d) “**Relevant Transfer Period**” means :-

~~(i) in respect of a System Capacity Transfer, the Transfer Period;~~

~~(ii) in respect of a Storage Capacity Transfer the Storage Transfer Period;~~

(e) “**Trade Transferor**” means :-

(i) in respect of a System Capacity Transfer, the Transferor User; and

~~(ii) in respect of a Storage Capacity Transfer the Storage Transferor Storage User; and~~

(f) “**Trade Transferee**” means :-

(i) in respect of a System Capacity Transfer, the Transferee User; and

~~(ii) in respect of a Storage Capacity Transfer the Storage Transferee Storage User.~~

(g) “**Transferred Capacity**” means Transferred System Capacity ~~or Transferred Storage Capacity.~~

Amend paragraph 3.3 of Annex U-1 to read:-

“If in respect of any Capacity Transfer Day ceases to be liable to pay to Transco the relevant Capacity Charges ~~or Storage Capacity Charges~~ in respect of in accordance with the following formula:

$$E = F \times G$$

Where:

E = . . . ;

F = . . . ;

G = to be liable to pay Capacity Charges ~~or Storage Capacity Charges~~ in respect of”

Amend paragraphs 3.4 and 3.5 of Annex U-1 to read “Not Used”.

SECTION V: GENERAL

Amend paragraph 1.6.5 to read:-

“. . . . Non-Code Transportation Arrangements (including without limitation holdings of System Capacity ~~or Storage Capacity for LNG facilities~~) as Non-Code Shipper”

Amend paragraph 1.6.6 to read:-

“. . . . Daily Imbalance Charges, Scheduling Charges, or ~~Storage Overrun Charges at LNG Facilities~~, shall be made disregarding quantities”

Amend paragraph 2.5.2(a) to read:-

“ Supply Point, or hold System Capacity ~~or Storage Capacity at LNG Facilities~~, or make a System Capacity Transfer ~~or Storage Gas Transfer in relation to an LNG Facility~~, or otherwise ”

Amend paragraph 5.1.2 to read:-

“ maintenance and development of the System ~~and the Transco LNG Storage Facilities~~, facilitation of connections to ”

Amend paragraph 7.1.2(i) to read, “ in respect of the System and ~~Transco LNG~~ Storage Facilities; ”.

Amend paragraph 7.1.2(iv) to read, “Not used.”

Amend paragraph 7.1.2(v) to read, “ under which Transco is a ~~Storage~~ User ~~(for the purposes of Section Z)~~ in respect of ~~Transco~~ LNG ~~Storage~~ Facilities for the purposes of ”.

Amend paragraph 7.2.3 to read, “ any references to Transco ~~(including Transco LNG Storage)~~ as User, be ”.

Amend paragraph 9.1.3(ii) to read, “ or Connected System Operator ~~(other than in either case Transco LNG Storage (for the purposes only of Section Z))~~, or any supplier or ”.

Amend paragraph 11.1.6(i) to read:-

“a Nomination, Interruption Notice, or notice of a System Capacity Trade, or Trade Nomination ~~or Storage Trade~~,”

Amend paragraph 14.3.1(a) to read:-

“ management and operation of the System ~~and Transco LNG Storage Facilities~~; and ”

SECTION W: INTERPRETATION

Amend paragraph 2.9.1 to read “Not used.”

Amend paragraph 3.4.1 to read:-

“ delivered to or offtaken from the System ~~or injected to or withdrawn from a Transco LNG Storage Facility~~, or at a rate of such delivery ”

Amend paragraph 3.4.2 to read:-

“ delivery or offtake of gas to or from the System, ~~or injection or withdrawal from a Transco LNG Storage Facility~~, or any amount of System Capacity ~~or Storage Capacity~~, expressed in quantity or ”

SECTION Z: TRANSCO LNG STORAGE FACILITIES

The text of the entire section shall be deleted and replaced 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 **0548**, version **2.0** dated **17/09/2002**) 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 **2.0**.

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 appropriate

provided 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.