

**Draft Modification Report**  
**Minor Corrections to Transco LNG Storage Terms**  
**Modification Reference Number 0501**

Version 1.0

This Draft Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

**1. The Modification Proposal**

The Modification Proposal was as follows

"It is proposed to make minor corrections to Section Z (Transco LNG Storage Facilities) and related parts of the Network Code, in order to;

1. Achieve consistent use of defined terms;
2. Remove obsolete references;
3. Correct minor cross-referencing and grammatical errors; and
4. Ensure timely information on Operating Margins requirements to facilitate the Annual Storage Invitation process."

The justification was as follows

"Previous Modifications have introduced minor inconsistencies into Section Z (Transco LNG Storage Facilities) and related parts of the Network Code, while Transco now wishes to correct to ensure the clarity of existing terms and establish a sound basis for any future developments. Although no substantive change to the LNG storage service is proposed, the proposed textual changes are extensive, and Transco wishes to seek shippers' views via a Modification Proposal, rather than applying for a Consent to change the Network Code."

**2. Transco's Opinion**

Transco raised this Modification Proposal in order to ensure that the current defined terms used in Section Z (Transco LNG Storage Facilities) and other related areas of the Network Code were consistent with the current use of defined terms. While existing customers of LNG Storage facilities understand how LNG services operate in practice, potential new customers in particular may find Section Z easier to interpret if this Modification Proposal is implemented.

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

The removal of the potential inconsistencies and associated ambiguities within Section Z of the Network Code would be expected to 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 the operation of the system.

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

Transco is not aware of any cost implications.

**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:**

If the Modification Proposal were implemented, the issue of cost recovery would not arise.

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

Transco is not aware of any consequence that implementation of the Modification 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 would reduce any contractual risk due to reduction of ambiguities in the Network Code.

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

Transco is not aware of any implications for computer systems.

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

Implementation of the Modification Proposal could improve Users understanding of Network Code Section Z (Transco LNG Storage Facilities).

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

Transco is not aware of any implications for Terminal Operators, Consumers, Connected System Operators, Storage Operators, Suppliers, Producers and any Non-Network Code Party.

**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 believes there would be a benefit of implementing this Modification Proposal as it would clarify the obligations of Transco and Users.

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

Advantages

1. Achieve consistent use of defined terms
2. Remove obsolete references
3. Correct minor cross-referencing and grammatical errors
4. Ensure timely information on Operating Margins requirements to facilitate the Annual Storage Invitation process.

Disadvantage

None identified

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

Transco now invites representations to this Modification Proposal.

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

Transco is not aware of any such requirements.

**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 is not aware of any such requirements.

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

Transco is not aware of any such requirements.

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

As soon as possible.

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

Transco recommends implementation of this Modification Proposal.

**17. Text**

**DEFINED TERMS INDEX**

1. Delete the references to the defined terms "BG Storage", "BG Storage Facilities", "Injection Period", "Storage Credit Agreement" and "Transco LNG Facility".
2. Replace the defined term "BG User Capacities" with "Transco User Capacities".
3. Replace the defined term "Facility Injection Rate" with "LNG Facility Injection Rate".
4. Replace the defined term "Invitation Close Date" with "Transco LNG Invitation Close Date".

**SECTION C**

1. Amend paragraph 5.1.11(c) as follows:

"(c) a Constrained Storage Renomination made by Transco on behalf of a User in accordance with Section R4 shall be a Primary Renomination."

## SECTION K

1. In paragraphs 1.2.3 and 1.2.4 replace "Transco LNG Storage LNG Facilities" with "Transco LNG Storage Facilities".
2. Amend paragraph 2.2.3 as follows:

"2.2.3 Transco will, not later than 1st March in each Storage Year . . . "

## SECTION P

1. In paragraph 3.2.2(iii) replace "Programmed Injection Days" with "Applicable Programmed Injection Days".
2. Amend the heading to paragraph 4.4 as follows:

"Surrender on late booking at Transco LNG Storage Facilities".

## SECTION R

1. In paragraphs 1.5.1(d)(i) and 1.5.1(e)(i) replace "Transco LNG Facility" with "Transco LNG Storage Facility".
2. Amend paragraph 1.5.1(g) as follows:

"(g) **"Applicable Invitation Close Date"** is in respect of:

- (i) a Transco LNG Storage Facility, the Transco LNG Invitation Close Date;
  - (ii) any other Storage Facility, the date identified in the relevant Storage Terms by which Storage Users must make applications for Storage Capacity for a Storage Year".
3. Amend paragraph 1.5.1(h) as follows:

"(h) **"Applicable Programmed Injection Days"** are in respect of: . . ."

4. In paragraph 1.5.1(k)(i) replace "Facility Injection Rate" with "LNG Facility Injection Rate".

5. Amend the heading to paragraph 1.7 as follows:

"Transco LNG Storage"

6. Amend paragraph 1.7.1 as follows:

"1.7.1 For the purposes of the Code:

- (a) **"Transco LNG Storage"** means Transco acting as operator of the Transco LNG Storage Facilities (whether or not, pursuant to Condition 7(15) of the Transco Licence, the arrangements which relate to the utilisation of such facilities are for the time being arrangements falling within Condition 7(14) thereof); and

- (b) **"Transco LNG Storage Facilities"** means the LNG Facilities which are from time to time operated by Transco and are located at Glenmavis, Partington, Dynevor Arms, Avonmouth and Isle of Grain;"

7. In paragraphs 2.1.1(d) and 4.2.2 replace "Storage Nomination Time" with "Applicable Storage Nomination Time".

8. In paragraph 4.2.4(a) replace "Transco LNG Facility" with "Transco LNG Storage Facility".

## SECTION V

1. In paragraphs 5.1.2 and 7.1.2(i) replace "BG Storage Facilities" with "Transco LNG Storage Facilities".

2. In paragraph 7.1.2 replace the defined term "BG User Capacities" with "Transco User Capacities".
3. In paragraph 7.1.2(v) replace "BGS LNG Facilities" with "Transco LNG Storage Facilities".
4. In paragraphs 7.2.1(i), (ii), (iii) and (v) replace "BG User Capacity" with "Transco User Capacity".
5. In paragraph 7.2.2 replace "BG User Capacities" with "Transco User Capacities".

## SECTION W

1. Amend the definitions of "Transco" and "Transco Licence" in paragraph 1 as follows:

**"Transco":** without prejudice to paragraph 2.9.1, Transco plc as licensee under the Transco Licence;

**"Transco Licence":** the Gas Transporter's Licence treated as granted to Transco, as from time to time in force;"

## SECTION Z

1. Delete paragraph 1.1.2.
2. Amend paragraph 1.2.1 as follows:

"1.2.1 Transco LNG Storage shall be deemed to be appointed . . . "
3. In paragraph 1.3.2 replace "BGS Transco LNG Storage Facility" with "Transco LNG Storage Facility".
4. In paragraphs 1.4.1 and 2.6.1 replace "Transco LNG Facilities" with "Transco LNG Storage Facilities".

5. In paragraph 2.1.3(b) replace "Transco LNG facility" with "Transco LNG Storage Facility".
6. In paragraph 2.1.6 replace "Transco LNG Facility" with "Transco LNG Storage Facility".
7. In paragraph 3.1.3(a) replace the defined term "Invitation Close Date" with "Transco LNG Invitation Close Date".
8. In paragraphs 3.1.3(d), 3.6.1(b), 3.6.1(b)(ii), 3.6.2, 4.7, 4.7(a), 5.1.3(c), 5.2.2, 5.2.2(b), 5.2.3, 5.2.4, 5.2.5, 5.3.1(a), 5.3.3(b), 5.4.1, 5.5, 5.8.1 and 5.9.1 and in the headings to paragraphs 5.2 and 5.9, replace all references to "Injection Period" with "Transco LNG Injection Period".
9. In paragraphs 3.1.4, 3.3, 3.5.2 and 3.7.1 replace "Invitation Close Date" with "Transco LNG Invitation Close Date".
10. Amend paragraph 3.1.7 as follows:

"3.1.7 For the purposes of paragraph 3.1.6, except where (in accordance with paragraph 3.4.2 or paragraph 3.5.5) the Storage Capacity applied for exceeds the Maximum Storage Capacity, each User whose application is approved will be considered to have been allocated the Storage Capacity it applied for."
11. Amend paragraph 3.2.1(e) as follows:

" . . . and any request for the purposes of paragraph 3.4.8; and"
12. In paragraph 3.2.1(e) replace "Transco LNG Facilities" with "Transco LNG Storage Facilities".
13. In paragraph 3.3 replace "Transco's Public Gas Transporter's Licence" with "Transco Licence".
14. In paragraph 3.3 replace "Supply of LNG Storage Services" with "supply of services under this Section Z".



15. In paragraphs 4.7(b), 5.1.3(b), 5.2.1, 5.2.2(b), 5.3.3(b), 5.3.4, 5.3.5(b), 5.4.3, 5.4.4, 5.4.5, 5.4.7, 5.4.8, 5.5, 5.7.1 and 5.7.1(b) replace "Programmed Injection Day" with "Programmed LNG Injection Day" and replace "Programmed Injection Days" with "Programmed LNG Injection Days".
16. In paragraph 5.1.3(e) replace the defined term "Facility Injection Rate" with "LNG Facility Injection Rate".
17. In paragraphs 5.2.2(b), 5.4.5, 5.4.6(a) and 5.6.5(a) replace "Facility Injection Rate" with "LNG Facility Injection Rate".
18. In paragraphs 5.3.2 and 5.4.6(c) replace "User Injection Rate" with "User LNG Injection Rate".
19. In paragraphs 5.7.1, 5.7.1(a), 5.7.2(b), 5.9.2, 6.2.6 and 6.2.7 replace "Storage Nomination Time" with "LNG Storage Nomination Time".
20. Amend paragraph 6.7.2 as follows:

" . . . shall be modified or disapplied to the extent necessary to give effect to this paragraph 6.7."
21. Amend paragraph 8.1.1 as follows:

"8.1.1 The amounts payable by the User to Transco LNG Storage and by Transco LNG Storage to the User in accordance with this Section Z will be invoiced and are payable in accordance with this paragraph 8 . . . "
22. Amend paragraph 8.1.1(c) as follows:

"(c) a **"Storage Invoice Item"** is an item (in respect of all charges of a particular kind) shown as payable by Transco LNG Storage or by a User in a Storage Invoice (including where relevant a Storage Self Bill Amount) including interest payable in accordance with this paragraph 8;"
23. Amend paragraph 8.1.3 as follows:

"8.1.3 A Storage Invoice may show as a Storage Invoice Amount an amount (a "**Storage Self Bill Amount**") payable by Transco LNG Storage to the User in respect of which Regulation 13(3) of the Value Added Tax Regulations 1995 is to apply."

24. In paragraph 9.1.1 replace "BGS Transco LNG Storage Facility" with "Transco LNG Storage Facility".

25. Amend paragraph 9.1.2 as follows:

" . . . shall have the meaning given to such terms in the Transco LNG Storage Credit Agreement to which it and Transco LNG Storage are a party."

26. Amend paragraph 10.4.1(b) as follows:

" . . . conducting a tender on a basis similar to that provided for in Section K3.3.2 in respect of Residual Surplus Gas;"

## **TRANSITION DOCUMENT PART II**

1. Amend the heading in paragraph 8.17 to the Transition Document Part II as follows:

"8.17 Section Z: Transco LNG Storage Facilities"

***Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report***

Signed for and on behalf of Transco.

Signature:

**Tim Davis**  
**Manager, Network Code**

Date: