

## **TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0504**

"Top up Process Enhancements"

Version 2.0

**Date:** 13/11/2001

**Proposed Implementation Date:** 01/01/2002

**Urgency:** Non-Urgent

### **Justification**

Following implementation of Modification Proposal 0429, a sub-group of the Planning & Security workstream considered further improvements to the Top-up process. The main aim of this proposal is to deal with its recommendations.

In addition, Transco has identified a risk that the existing process defined with the Network Code for determining winter injection requirements may not safeguard security of supply: it may not be sufficient to have adequate gas stocks in a Storage Facility Type if some Storage Facilities of that type are empty and their deliverability is required to meet peak day requirements. The importance of this consideration is likely to increase as the number of storage facilities of any particular type increases.

The existence of a Top-up requirement this year has also brought to light a number of technical issues surrounding the detailed provisions specified in the Network Code now that both Transco LNG Storage and BG Storage Limited sell Storage Capacity on a bundled basis, reflecting the ratios of space to deliverability in their facilities. This affects the pricing of Top-up Market Offers and Top-up Storage Transfers:

- Top-up Market Offers must be made before the Day, but the formula for the Top-up Market Offer Price refers to the System Entry Overrun Charge rate (see paragraph B2.12.3), which cannot be determined until after the Day because it depends on the prices at which System Entry Capacity is sold and bought-back on the Day; and
- The placing of Top-up Market Offers on the OCM is more operationally burdensome and involves greater commercial risks than placing Top-up bids on the Flexibility Mechanism. A weekly process is necessary because Locational Market Offers can only be posted up to seven days ahead and high trading limits need to be allocated temporarily with EnMo. Commercial risks arise due to the high value of the offers. Offers made during the summer are unlikely to be considered and could be placed if the need ever arose.

### **Nature of Proposal**

The Top-up Manager should not be required to book its full requirement for Storage Capacity at the start of the Storage Year but should be allowed to phase its bookings, balancing the risk of booking and possibly filling capacity that later turns out not to be required against the risk of not

being able to inject the required quantities of gas (which may change) into the relevant Storage Facilities before 1 November.

The Top-up Manager is presently required to monitor gas-in-store over the Winter Period (November to April inclusive) and to intervene to protect gas-in-store if necessary. Two changes are proposed:

- The Network Code assumes/requires that filling of storage would be completed by the start of this period. It is proposed that the Top-up Manager would take account of possible subsequent filling to allow some flexibility having regard to anticipated gas availability and injection capabilities.
- Towards the end of the winter, the Network Code required 'monitor' levels of gas-in-store fall away rapidly and, if milder weather is forecast, the Top-up Manager may not need to intervene despite gas-in-store falling below the required level for a day. It is proposed that the Top-up Manager should have discretion to refrain from intervention if it anticipates that gas-in-store will be at / above the required level (due to the latter falling) within five days.

Rather than monitoring aggregate gas stocks for each of the three Storage Facility Types, the Top-up Manager would monitor gas stocks in each facility, and intervene if feasible to prevent a potential breach of the remainder of winter volume requirements above each demand level. In other words, the Top-up Manager would seek to ensure that the 1-in-50 load-duration curve for the remainder of the winter could continue to be met.

Where the Top-up Manager has bought Storage Capacity priced on a bundled basis, it should only make Top-up Storage Transfers of bundled deliverability and space.

The term ' $(D/d + S)$ ' in the formula for Top-up Market Offer Price should be replaced by the total cost in pence to the Top-up Manager of its deliverability, space and, if applicable, injectability purchases in a Storage Facility, divided by the amount in kWh of space purchased.

The term 'E' in the same formula should be re-defined as  $(8 * B)$ , where 'B' is the Applicable Daily Rate determined in accordance with paragraph B2.11.3(i) for Monthly System Entry Capacity at the Aggregate System Entry Point for the calendar month in which the Day falls.

The Top-up Manager should not be required to make Top-up Market Offers outside the Winter Period, unless the Top-up Manager considers there may be an imminent requirement for Top-up gas.

### **Purpose of Proposal**

Implementation of this proposal would enhance the Top-up process by giving more discretion in the purchase and initial filling of Storage Capacity, and in intervening to protect gas-in-store. This should benefit all Users by reducing Top-up costs without compromising security standards.

It would also avoid excessively uneven distribution of gas stocks between Storage Facilities compromising the ability to meet peak, or near-peak, demands.

It would ensure that Top-up Market Offer Prices are defined consistently with the way in which storage capacity is now sold, can be calculated before the Day, and that the charges for Top-up Storage Transfers are defined.

It would remove the unnecessary requirement to make Top-up Market Offers during the summer.

**Consequence of not making this change**

Significant reductions in Top-up costs in some situations would not be achieved, security of supply would not be improved, the calculation of Top-up Market Offer Prices and the terms of Top-up Storage Transfers would remain unclear, and the Top-up process would be unnecessarily difficult.

**Area of Network Code Concerned**

Section P

**Proposer's Representative**

John Bradley (Transco)

**Proposer**

Tim Davis (Transco)

**Signature**

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