

**Modification Report**  
**Top up Process Enhancements**  
**Modification Reference Number 0504**  
Version 5.0

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**

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.

## **2. Transco's Opinion**

Transco raised this Modification Proposal in order to allow the Top-up Manager greater flexibility in maintaining 1 in 50 security of supply. The two principal elements of this flexibility would be to allow:

- Storage injection after 1 November each year.
- The Top-Up Manager to take into account the weather forecasts when making decisions on winter injections. In practice this would only apply towards the end of the winter period.

In addition, Transco raised this Modification Proposal in order to introduce two elements which would potentially assist in safeguarding security of supply:

- The Top-Up Manager would be able to make decisions on injection during the winter period based upon space and deliverability available at;
  - Specific storage facilities
  - In aggregate for all storage facilities of the same Storage Type
  - In aggregate for all storage facilities.
- Top-Up Market offers on the OCM would be limited to days during the winter period where such offers are justified by demand so ensuring that acceptance of Top-Up Market offers outside these days of high demand does not affect stocks of Top-Up gas.

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

Providing Transco, as Top-Up Manager, greater flexibility in making decisions on storage injection, without compromising security of supply, is consistent with efficient and economic operation by the licensee of its pipe-line system.

## **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 development, capital and operating 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:**

The proposal would make procurement of Top-up more efficient and economic and therefore the issue of cost recovery would not arise.

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

This proposal would not have any effect 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**

Since Transco currently bears Top-up costs, this Proposal would reduce this financial risk to Transco. However, the risk to Transco LNG would increase as its revenue from Storage Capacity charges would reduce by an equal amount.

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

Transco is not aware of any such implications.

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

Users may have more interruptible Storage Capacity available at certain times as a consequence of different Top-up bookings made by the Top-up Manager.

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

Storage Operators may face a reduction in revenues as a consequence of more efficient Storage Capacity bookings made by the Top-up Manager.

**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 not aware of any general legislative or regulatory consequences. Specifically, implementation of this Proposal would not affect performance of Transco's obligations under its Safety Case.

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

**Advantages**

- The Top-up Manager would have more flexibility in deriving storage injection programmes.
- As a result of changes in Top-up injection programmes by the Top-up Manager, Users would potentially have more Storage Capacity available at certain times.

**Disadvantage**

- Storage Operators may be incentivised to reduce available capacity in future years, in response to reduced revenues/demand for their services; this could potentially affect system security.

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

One representation has been received from British Gas Trading (BGT). This supported implementation of this Modification Proposal.

BGT commented that the sub-group of the PSS Workstream mentioned in the Modification Proposal "reviewed the existing Code rules relating to Top-Up, and in particular a number of

areas where the rules would (or might) act in a manner that is unlikely to be in the interests of the industry overall. Hence it sought to identify a series of 'non-contentious' changes which would improve the rules, and that is the intent of this Modification.

We consider that all the changes proposed can reasonably be seen as improving on existing rules, and that none of the changes are likely to disadvantage any particular party.

Moreover, we believe that some of these changes are very urgent. In particular, the existing rules could require Transco to procure and inject gas into storage space which is booked but empty where such intervention is likely to be unnecessary, including cases where a shipper may have withdrawn gas and intend to refill the space quickly. Conversely the Modification does not absolve the Top-Up Manager from the need to act where action is justified."

BGT also referred to the unanimous support received from shippers attending the relevant discussions and supported implementation "at the earliest possible date".

### **Transco's Response**

Transco concurs with BGT's summary of the sub-group process and welcomes BGT's support for early implementation

#### **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 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 for these purposes.

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

Transco is not aware of any consequential programme of works.

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

The proposal should be implemented as soon as possible so that it becomes effective before the end of the winter period.

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

Transco recommends implementation of this 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

### SECTION P: TOP-UP STORAGE

*In paragraph 1.4.3 replace all references to “Maximum Storage Duration” with “Total Storage Duration”.*

*In paragraph 2.1.1 replace “30th April in the Preceding Storage Year” with “31st May in the relevant Storage Year”.*

*In paragraph 2.2.1 replace “15th April in the preceding Storage Year” with “31st May in the relevant Storage Year”.*

*In paragraph 2.2.2(i) replace “15th April in the Preceding Storage Year” with “1st May in the relevant Storage Year”.*

*Amend paragraph 2.2.4 as follows:*

“... of gas being withdrawn during the Winter Period from Storage Facilities of each type. In so allocating or reallocating the Aggregate Remaining Stored Gas Requirement between each Storage Facility Type the Top-up Manager may have regard to any relevant specific characteristics of each Storage Facility within each such Storage Facility Type”.

*Amend paragraph 2.3.1 as follows:*

“Subject to paragraphs 2.3.2 and 2.4.2 the Top-up Manager will (by means of one or more applications) as soon as practicable following the start of the Storage Year (but not before), no earlier than the start of the Storage Year and no later than 31st October in the Storage Year, apply for and . . .”

*Amend paragraph 2.3.2 as follows:*

“In the event that at the date of the a Top-up Manager’s application: . . .”

*Amend paragraph 2.3.4 as follows:*

“Where following the Transco LNG Invitation Close Date and after the date when the Top-up Manager has made an application ~~applies~~ for Storage Capacity . . .”

*At the end of paragraph 2.4.1 insert the following:*

“In making such determinations the Top-up Manager may have regard to any relevant specific characteristics of each Storage Facility”.

*Amend paragraph 2.6.1 as follows:*

“The Top-up Manager will not later than ~~31st May~~ 31st October in the Storage Year: . . .”

*Amend paragraph 3.2.2(i) as follows:*

“a relevant Day is one Day each week from ~~1st May~~ 1st July until the last Day of the Applicable Injection Period ~~or 1st December, which ever is the earlier~~, or for so long . . .”

*Amend paragraph 3.2.2(iii) as follows:*

“PID is the number of ~~Programmed Injection~~ programmed injection Days remaining (starting with the day after the review day and ending on the last Day of the Applicable Injection Period ~~or 1st December, which ever is the earlier~~); and . . .”

*Amend paragraph 3.4.1 as follows:*

“Subject to paragraphs 3.4.6 and 3.4.7, the Top-up Manager will . . .”

*Amend paragraph 3.4.3 as follows:*

“Subject to paragraphs 3.4.7 and 3.7, . . .

*Insert a new paragraph 3.4.7 as follows:*

“Notwithstanding any of the foregoing provisions of this paragraph 3.4, at any time between 1 February and 31 March in a Storage Year, the Winter Top-up Injection Requirement and the Aggregate Winter Top-up Injection Requirement may be reduced in respect of any Day by the Top-Up Manager by such amount as shall be determined by the Top-up Manager having regard to information available to it of Forecast Total System Demand and maximum daily supply for the System over the following five Days”

*Amend paragraph 4.2.4 by inserting a new sub-paragraph (iii) as follows:*

“(iii) the ratio of Storage Space to Storage Deliverability for the Top-up Storage Transfer must be the same as the ratio of Storage Space to Storage Deliverability then held by the Top-up Manager at the relevant Storage Facility”.

*Amend paragraph 5.2.1 as follows:*

“Subject to paragraph 5.2.3, the Top-up Manager will (in respect of any Day for which, at any time, Forecast Total System Demand exceeds 85% of System 1-in-20 peak day demand) and may (in respect of every other Day) make a Top-up Market Offer in relation to each Top-up Storage Facility for each that Day . . .”

*Amend paragraph 5.3 as follows:*

“. . . or 99.9999 pence/kWh whichever is the lesser:

$$\text{TMOP} = W + G + E + N \times (D/d + S)$$

$$\text{TMOP} = W + G + E + N \times (C/T)$$

Where

W is the unit rate (in pence/kWh) of the Storage Withdrawal Charge in respect of withdrawal from the facility on the Gas Flow Day;

E is the unit rate (in pence/kWh) of the System Entry Overrun Charge determined in accordance with Section B 2.12.3(b) for the relevant Storage Connection Point;~~in respect of System Entry Capacity at the Storage Connection Point on the Gas Flow Day;~~

G is the Top-up WACOG;

N is 20;

C is the total cost (in pence) to the Top-up Manager at the date of the Top-up Market Offer for all Storage Capacity purchased by it in respect of the Storage Year for the facility; and



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T is the total quantity (in kWh) of Storage Space purchased by the Top-up Manager at the date of the Top-up Market Offer in respect of the Storage Year for the facility.

For the purposes of calculating C and T, no account shall be taken of any surrender or other disposal of Storage Capacity by the Top-up Manager (or the proceeds therefrom) in respect of the Storage Year.

~~D is the unit rate (in pence/kWh/Day) of the annual Storage Deliverability Charge in respect of the facility for the Storage Year;~~

~~d is the number of Days obtained by dividing the Top-up Manager's Available Storage Space by the Top-up Manager's Available Storage Deliverability in the facility as at 30th November in the Storage Year;~~

~~S is the unit rate (in pence/kWh) of the annual Storage Space Charge in respect of the facility for the Storage Year.~~



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 **0504**, version **5.0** dated **10/07/2002**) 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 **5.0**.

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.