TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0497

"Top-up Manager's Methods For Accessing Storage Deliverability"
Version 3.0

Date: 11/10/2001

Proposed Implementation Date: 01/12/2001

Urgency: Non-Urgent

Justification

This proposal gives the Top-up Manager the widest possible choice of methods for accessing Storage Deliverability. In exercising its discretion, the Top-up Manager must have regard to the physical availability of deliverability (for example, plant must not be "moth-balled") and the economic discharge of its functions. Giving the Top-up Manager discretion in this area may reduce costs considerably in some cases.

The present Top-up regime requires the Top-up Manager to book Storage Space and Deliverability to make up any shortfall in shippers' aggregate bookings below Storage Space and Deliverability Requirements. Where Space and Deliverability are sold on a bundled basis, this may lead to the booking of Space in excess of the space requirement, in order to secure the necessary Deliverability. However, the Storage Operator may offer daily firm or interruptible capacity, and/or deliverability overruns, and it may be more economic to use these for part of the deliverability requirement.

Transco may also have an Operating Margins booking in a Top-up Storage Facility. If Operating Margins deliverability is not being used to deliver Operating Margins gas, it could instead be used for Top-up purposes, and vice versa.

Nature of Proposal

Transco would be permitted to transfer Storage Deliverability between the Operating Margins and Top-up Manager accounts when this would reduce deliverability overruns for the transferee account, provided that the transferor account had not nominated against this deliverability (otherwise the transferor, having paid for Storage Deliverability, would pay again for overruns).

The Top-up Manager would no longer be required to book Storage Deliverability at least equal in aggregate to the shortfall of shippers' bookings below the Storage Deliverability Requirement. Instead, the Top-up Manager could book a lesser amount, with the objective of minimising expected storage charges. (Often, where the relevant Storage Operator offers bundled Storage Space and Storage Deliverability, the Top-up Manager might make a booking just sufficient to provide the requisite Storage Space.) However, the Top-up Manager would determine a Top-up Flow Rate Requirement for each Top-up Storage Facility, at least equal in aggregate to the shortfall of shippers' bookings below the Storage Deliverability Requirement. The Top-up Manager would need to be satisfied that sufficient physical deliverability would be available and could be accessed to provide the Top-up Flow Rate Requirement when shippers were also using their booked Storage Deliverabilities. Methods of accessing unbooked deliverability would include deliverability transfer from Operating Margins, and other services offered by the relevant Storage Operator such as shorter period (e.g. daily) deliverability, interruptible deliverability, and overruns.

Where the Top-up Flow Rate Requirement exceeded the Top-up Manager's Available Storage Deliverability at a Top-up Storage Facility, the Market Transaction Flow Rate Change (MTFRC) for the

Top-up Market Offer would be based on the former, so as to ensure sufficient availability of Top-up gas even if less deliverability was booked than under current rules. As at present, the MTFRC would be reduced by the flow rate required for making any Residual Gas Transfers.

Any Top-up Storage Transfer of Storage Deliverability would reduce the Top-up Flow Rate Requirement at a Top-up Storage Facility, just as it reduces the Top-up Manager's Available Storage Deliverability, since a shipper would then hold this deliverability. Similarly, a further shipper booking of Storage Deliverability would also reduce the Top-up Flow Rate Requirement at a Top-up Storage Facility (at present it only reduces the Top-up Manager's Available Storage Deliverability if the relevant Storage Terms allow the Top-up Manager to relinquish capacity). Where the Top-up Manager makes a re-determination in accordance with Section P2.8 (Revised Supply & Demand Estimates), Top-up Flow Rate Requirements would be adjusted accordingly, whatever the relevant Storage Terms provided for adjusting deliverability bookings.

Purpose of Proposal

This proposal is intended to ensure that the Top-up Manager carries out its functions economically, keeping costs as low as possible to the benefit of the industry as a whole, and hence better facilitating the efficient discharge of Transco's obligations under its licence. Top-up plays an important role in meeting Transco's obligation under condition 9(1)(d) of the licence, since, when Transco estimates that shippers in aggregate have not made sufficient provision for severe conditions and therefore Top-up is required, the pricing of Top-up Market Offers creates appropriate balancing incentives.

In Storage Year 2001/02, this proposal could reduce the Top-up Manager's Storage Capacity charges from approximately £4 million to below £2 million.

Consequence of not making this change

Top-up costs may be higher than necessary.

Area of Network Code Concerned

Sections K and P

Proposer's Representative

Ian Hopkins (Transco)

Proposer

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Signature

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