

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No 0368.

SHORT TITLE: Treatment of Balancing Neutrality Charges and Top-up Neutrality Charges at Storage Connection Points

DATE: 5th November 1999 **PROPOSED IMPLEMENTATION DATE:** 1st December 1999

URGENCY: Urgent

JUSTIFICATION OF URGENT STATUS:

The treatment of tolerances at Storage Connection Points (SCP) might be considered to be discriminatory relative to the arrangements for other exit points and should therefore be amended as soon as possible.

NATURE OF PROPOSAL:

Under the terms of the Network Code, Storage Operators do not incur Balancing Neutrality Charges, Top-up Neutrality Charges and DM Reconciliation Neutrality if they have undertaken to Transco not to trade on the OCM. Transco proposes to modify its Network Code such that where a Storage Operator is a User of the system it would operate under the same terms as any other User in this respect. Consequently, Storage Operators will incur neutrality charges and payments based on the sum of their relevant UDQIs and relevant UDQOs for the relevant day.

To ensure that all Users are treated on an equal basis, this proposal would also remove the restriction on Storage Operators from trading in the OCM. For the purposes of LNG Facilities the Storage Operator will only place and accept bids/offers on the OCM for prescribed operational purposes. BG Storage (BGS) has provided the following statement to clarify its position: "BG Storage does not envisage being a shipper and hence will not be able to trade on the OCM. Instead it intends to contract out its shipping activities to one or more contracting shippers. These activities will continue to be limited to operational requirements in the with the Future Operation of BGS paper. BGS will of course continue to comply fully with the undertakings given to Ofgas in connection with the removal of Rough and Hornsea from the PGT Licence."

If approved, this modification should be implemented on 1st December 1999, thereby removing the present inconsistency quickly.

PURPOSE OF PROPOSAL:

The purpose of this proposal is to ensure that Storage Operators, when acting as Users, face the same Network Code terms as other Users with respect to neutrality charges and payments. This helps to facilitate the relevant objective of the efficient discharge of Transco's obligations under its PGT Licence within Standard Condition 7, by ensuring non-discriminatory treatment of Users.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

The consequence of not making this change is that treatment of Storage Operators would be inconsistent with other Users of the system.

AREA OF NETWORK CODE CONCERNED:

Section F: System Clearing, Balancing Charges and Neutrality.

Section P: Top-up Storage.

Section Z: BGS LNG Facilities

IDENTITY OF PROPOSER'S REPRESENTATIVE:

Chris Bradley - Network Code Development

PROPOSER: Tim Davis.

SIGNATURE:

POSITION: Manager, Network Code.

COMPANY: Transco.

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number: 0368

Date Received: 05/11/1999