

MODIFICATION PROPOSAL No. 0375

SHORT TITLE: Over-run Charges on Transco Nominations from Constrained LNG Sites

DATE: 13 December 1999

PROPOSED IMPLEMENTATION DATE: 23 December 1999

URGENCY: Urgent

JUSTIFICATION:

Background

It has emerged during recent Network Code discussions that the rules relating to Constrained LNG are not entirely as Transco and some shippers had believed. This Modification would remove a risk of unfair overcharging of users of Constrained LNG services.

When the Network Code was implemented, it seemed reasonable to assume that there would generally be several shippers holding LNG in a constrained site. If constrained LNG was needed, and sufficient was in store and deliverable, Transco should have the right to demand it. So (for the avoidance of doubt) Transco are rightly entitled to withdraw from any constrained LNG site the quantity they require for transmission support purposes or the maximum actual deliverability of that site at any time, whichever is greater. The total withdrawal may be limited by the amount of LNG in store at that time, but Transcos nominations are not limited by shippers deliverability bookings.

Essentially, it was accepted that Transco should get the gas out rather than have or risk a failure.

Some shippers may be holding full stocks while others might have reduced their holding earlier in the winter, and Transco were only to be empowered to ensure that sufficient was held in stock at any time (the 'monitor' level) for National purposes, but not otherwise limit each shippers withdrawals. So Transco can call on the full 'transmission support' needs on any day, providing only that the plant could physically deliver the volume sought and that there is sufficient LNG in total.

For these purposes the Top-Up Manager is treated like any other shipper, and his gas can be constrained on too. The Top-Up Manager will have ensured that total booked deliverability at each site at least meets the predicted 1-in-20 requirement for the relevant area. So as long as any days actual needs are less than that predicted requirement, there should be booked deliverability which can be used.

The main risk is that requirements on some day exceed the forecast 1-in-20 level.

This might happen either if the (local) demands exceed the 1-in-20 forecast, whether or not the same is true of National requirements, or if (for whatever reason) the gas able to be transported to the relevant area is less than the capacity assumed for Top-Up calculations.

In that case it is surely right that Transco should get the gas out rather than have or risk a failure, though the total withdrawn may exceed the total booking of deliverability. However the actual volume withdrawn then has to be allocated to users of Constrained Storage services at the site. Hence, when Transcos requirements are converted into nominations on individual shippers, a shippers LNG withdrawal nomination may exceed that shippers booked deliverability.

This was not thought at the time to be an unreasonable approach.

One consequence is that a shippers LNG booking in a Constrained Site could be exhausted in a few days. It is suggested that this should continue to be regarded as a risk to be accepted by shippers who book services at Constrained LNG sites, and this Modification proposes no change in this area.

A second issue is that the current arrangements provide that overruns are payable in the event that nominations by Transco exceed a Users available deliverability. It is very unfair that Users are charged overruns in the event that nominations by Transco exceed that Users available deliverability. Shippers would normally have procured sufficient deliverability and entry capacity to meet their needs and sufficient deliverability in relation to their space bookings, and are entitled to assume that this together with others bookings (if any) and Top-Up would normally be available to meet the systems needs. If this is not so, then a shipper who has prudently procured and retained deliverability and who has provided gas to the system should not be (further) penalised by LNG deliverability and NTS entry over-run charges.

Proposal

It is therefore proposed that LNG deliverability and NTS entry over-run charges at constrained LNG sites should be zero in respect of gas 'constrained on' by Transco where the total nomination exceeds a Users capacity as booked with BG Storage and/or Transco without adjustment for (any) capacity trades.

The underlined restriction is to ensure a shipper cannot trade away LNG capacity and thereby receive capacity trading income and also the proposed over-run waiver.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

Users of Constrained LNG Services may bear over-run charges for gas contributed to help with a local supply problem in circumstances in which they have no influence on the nominations (made on their behalf by Transco), despite having made prudent and

reasonable arrangements for their own peak-shaving needs in a manner which enhances the security of their own users and others shippers.

Also, the overruns may act as an unnecessary disincentive in respect of future bookings of services at Constrained Storage sites.

AREA OF NETWORK CODE CONCERNED: Sections B and Z

NATURE OF PROPOSAL: LNG and entry over-run charges at constrained LNG sites should be zero in respect of gas ‘constrained on’ by Transco where the constrained nomination exceeds a Users capacity as booked with BG Storage and/or Transco without adjustment for (any) capacity trades.

PURPOSE OF PROPOSAL: To protect Shippers from inappropriate charges and to remove a feature which makes Constrained LNG services less attractive.

PROPOSED TEXT:

In Section B2.10.3 (NTS Entry Over-runs) add at end (ie after (iv)) -

‘except that the System Entry Overrun Charge shall be zero in respect of any volume where the implied withdrawal rate of a Constrained LNG Renomination exceeds the implied withdrawal rate derived from that Users booking with Transco LNG Storage of firm Deliverability from that LNG site (excluding quantities acquired or disposed of by capacity trades), and where this applies the User must advise Transco within 3 working days that the zero rate applies and of the volume to which it applies and the User will supply reasonable evidence of the relevant booking to support this claim, failing which the Charge determined in accordance with paragraphs (i)-(iv) will apply.’

In Section Z7.1.2 (c) (on Storage over-runs), add -

- ‘(iii) except that the rate shall be zero in respect of any volume where the implied withdrawal rate of a Constrained LNG Renomination exceeds the implied withdrawal rate derived from that Users booking with BG Storage of firm Deliverability from that LNG site (excluding quantities acquired or disposed of by capacity trades); where this section (iii) applies the User must advise Transco within 3 working days that the zero rate applies and of the volume to which it applies, and the User will supply reasonable evidence of the relevant booking to support this claim, failing which section 7.1.2(a) or (b) (as the case may be) will apply.’

IDENTITY OF PROPOSER'S REPRESENTATIVES

PROPOSER: T H Welch

POSITION: Commercial Analysis Manager

COMPANY: British Gas Trading Limited

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number: 0375

Date Received: 13/12/99