

MODIFICATION PROPOSAL

SHORT TITLE: Revised Methodology for Top-Up Calculation

DATE: 2nd July 1998

PROPOSED IMPLEMENTATION

DATE: 1st October 1998

URGENCY: See comment in justification section

JUSTIFICATION:

Various changes to the existing Top-Up regime and rules are now both appropriate and necessary, in the light of the abolition of the V-factor and this year's changes to the Rough storage regime.

The existing rules on calculating Top-Up define the Top-Up Deliverability Requirement and the Top-Up Space Requirement in terms of deficits (if any) after taking account of Allocated Storage Deliverability and Allocated Storage Space respectively (P2.2.1).

In P2.2.2, Allocated Storage Deliverability is defined as the aggregate amount of Storage Deliverability allocated to Users (other than to Transco for Operating Margins or Balancing Margins purposes) and excluding Special Storage Deliverability; and Allocated Storage Space is defined similarly with the additional qualification that it excludes "Interruptible Storage Capacity".

The changes to this year's storage regime mean that Rough deliverability will be in shippers' hands through one of three routes -

- firm deliverability
- "standard" interruptible deliverability (2% of space booked)
- "special services" deliverability

It is both the intention and expectation of the community that on any day the full nominal capacity of Rough (ie 455 GWh) should be accessible by shippers through one of these routes, and that in ensuring this the "special services" may even give access on a "use it or lose it" basis, perhaps by an auction.

Hence it is appropriate that Allocated Storage Deliverability is re-defined as the sum of the Allocated Storage Deliverability in respect of usable deliverability at Hornsea and LNG sites plus the Total Storage Deliverability in respect of Rough (defined in R2.1.5).

In respect of Top-Up space the exclusion relating to interruptible space should be deleted, as the revised storage rules admit the use of gas in this space at any demand level whereas last

year the "V-factor" precluded this at high demands. Hence such gas must be available when Top-Up might otherwise be needed.

These changes have been considered at the last two meetings of the Planning & Security Workstream and both commanded unanimous support.

This modification is required to minimise the cost of Top-Up for shippers whilst retaining the same level of security of supply. The modification can be developed through the normal process, providing it is understood and accepted that the Top-Up Manager takes no action that will incur additional costs in the timescale required to develop this modification.

CONSEQUENCE OF NOT MAKING THIS CHANGE: Substantially higher Top-Up costs will be incurred and hence shippers will receive a higher charge under Top-Up Neutrality.

AREA OF NETWORK CODE CONCERNED: Section P.2.2.2

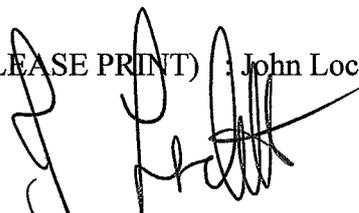
NATURE OF PROPOSAL: It is proposed that when the Top-Up Manager calculates the Top-Up requirements it will be assumed that all Storage Space booked in the Rough Storage facility will be included in "Allocated Storage Space" for the purposes of calculating the "Top-Up Space Requirement". In addition it is proposed that when the Top-Up Manager calculates the "Top-Up Deliverability Requirement" the assumption is that all Rough Deliverability will be available throughout the winter.

PURPOSE OF PROPOSAL: This modification will substantially reduce the cost of Top-Up to shippers without affecting the overall level of 1 in 20 peak day security of gas supply.

IDENTITY OF PROPOSER'S REPRESENTATIVE: Richard Robinson

PROPOSER (PLEASE PRINT) : John Lockett

SIGNATURE :



POSITION : Commercial Manager, Network Code

COMPANY : Transco

MODIFICATION PANEL SECRETARY'S USE ONLY

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