

Modification Report
Modification Reference Number 238

This Modification Report is made pursuant to Rule 7.4 of the Modification Rules and follows the format required under Rule 8.12.4.

1. The Modification Proposal:

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 (i.e. 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.

2. Transco's opinion:

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".

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. Transco supports this modification as it will reduce costs for all system users without compromising security of supply.

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

The modification will enable Transco to discharge its obligation to provide incentives for suppliers to meet the domestic security standard more efficiently (Conditions 7b and 7d)

4. **The implications for Transco of implementing the Modification Proposal, including:**

a) **implications for the operation of the System and any BG Storage Facility:**

There are no direct implications.

b) **development and capital cost and operating cost implications:**

There are no 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:**

There are no additional costs.

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

There is no impact.

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:**

None

6. **The development implications and other implications for computer systems of Transco and related computer systems of Relevant Shippers:**

None

7. **The implications of implementing the Modification Proposal for Relevant Shippers:**

Shippers with firm gas customers will see a reduction in their Balancing Neutrality costs.

8. **The implications of implementing the Modification Proposal for terminal operators, suppliers, producers and, any Non-Network Code Party:**

No implications.

9. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each Relevant Shipper and Non-Network Code Party of implementing the Modification Proposal:**

No implications.

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

Advantages: This proposal reduces the cost of Balancing Neutrality to shippers by reducing the level of Top-Up booking required to meet the security standards.

Disadvantages: There are no disadvantages

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

Three responses were received from shippers all of which supported the modification. However one has concerns that the legal drafting originally submitted does not fulfill the Modification Proposal, the revised drafting provided by that shipper has been incorporated in to this final report.

Transco Response:

12. **The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation:**

None

13. **The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement; furnished by Transco under Standard Condition 3(1) of the Licence:**

None

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

None

15. **Proposed implementation timetable (inc timetable for any necessary information systems changes):**

Final Modification Report sent to Ofgas on 11/9/98
Ofgas decision by 30/9/98
Implementation 1/10/98

16. Recommendation concerning the implementation of the Modification Proposal:

Transco recommend that this modification be implemented

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 Director General in accordance with this report.

19. Text provided pursuant to Rule 7.3

Delete existing 2.2.2 and insert the following:

2.2.2 For the purposes of paragraph 2.2.1, subject to paragraph 2.2.4:

- (i) **"Allocated Storage Space"** is the aggregate amount of Storage Space allocated to Users in respect of each Storage Year pursuant to applications under the Annual Storage Invitation, other than to Transco for Operating Margins Purposes or (subject to paragraph 2.2.3) Balancing Margins Purposes, and excluding Special Storage Capacity.
- (ii) **"Allocated Storage Deliverability"** is the sum of:
 - (a) the aggregate amount of Storage Deliverability allocated to Users in respect of Hornsea and LNG Sites for the Storage Year pursuant to applications under the Annual Storage Invitations, other than to Transco for Operating Margins Purposes or (subject to paragraph 2.2.3) Balancing Margins Purposes; and
 - (b) the Total Storage Deliverability (as defined in Section R 2.1.5) in respect of the Rough Facility.

Signed for and on behalf of Transco.

Signature: 

John Lockett
Manager, Network Code

Date: 11-10-98

Director General of Gas Supply Response:

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference 238, version 1.0 dated 10/09/98) be made as a modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply.

Signature: 

HEAD OF TRANSPORTATION PRICING

Date: 17/4/98

1st October 1998

The Network Code is hereby modified, with effect from , in accordance with the proposal as set out in this Modification Report, version 1.0.

Signature: 

Process Manager - Network Code
Transco

Date:

ANNEX

Restrictive Trade Practices Act - Suspense Clause

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

1. Suspense Clause

1.1 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:

- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") 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 Director 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 paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.