

Final Modification Report
Modification Reference Number 310

This Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal:

This proposal is part of a package of changes (including modification proposal 0311) to achieve separation of BG Storage from Transco, to admit other storage operators on equitable terms and to remove the Rough and Hornsea facilities from the scope of the PGT Licence and Network Code.

In principle BG Storage does not wish to change LNG services; this is consistent with Ofgas' intention to conduct a fundamental review of LNG in 1999.

However to accommodate the major changes referred to above, the Network Code requires significant restructuring. Since Section R is to contain Transco's terms for Storage Operators, the terms for BG Storage LNG services currently in Section R are proposed to be relocated to a new Section Z. Since Rough and Hornsea services will be governed by contracts outside the Network Code, references to Rough and Hornsea are to be removed.

A number of minor amendments are required, arising from business separation and the restructuring of the Network Code:

1. BG Storage will have separate arrangements from Transco for billing and credit management, as set out in the draft Rough and Hornsea contract. These will be applied consistently across Rough, Hornsea and LNG services. These terms are broadly consistent with existing Transco arrangements. The triggers for credit management sanctions will be indebtedness to BG Storage reaching 85% and 100% of the credit limit agreed with BG Storage. The sanctions applied in relation to LNG services once these levels are reached are unchanged.
2. Subsection 9 (Storage Management) will be deleted, as these restrictions cannot sensibly be limited to LNG alone. Instead, BG Storage has explained its intentions in the "Future Operations" paper (and expects to give an undertaking to Ofgas regarding adherence thereto) as it is important for potential bidders in the Rough and Hornsea capacity auctions and buyers of LNG services to understand that BG Storage will not be competing with them in gas trading.
3. Transco's proposed terms for Storage Operators impose risks that do not currently exist on shippers using Storage Facilities: Transco may refuse to accept gas which does not meet the GS(M)R quality specification, and may levy failure-to-interrupt charges. BG Storage however proposes to make compensating changes to its terms, so that the LNG service is unaffected. Conversely, if gas for injection fails to meet the GS(M)R quality specification, then BG Storage can refuse to inject, or inject and recover from customers the costs of damage to its facilities, up to the amount they are entitled to recover from Transco.

2. **Transco's opinion:**

This proposal is a necessary part of a package necessary to implement BG plc's agreement with Ofgas. In itself it contains only minor, consequential changes and should therefore be uncontroversial. It should be noted that Ofgas are carrying out a review of LNG shortly, providing the opportunity for more fundamental consideration of this area.

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

Of itself, this proposal has no material effect on achievement of relevant objectives. However it is part of a package designed to:

- (a) facilitate competition in storage services, both between facility operators and between Rough and Hornsea firm capacity holders, and
- (b) enhance the availability and usage of Rough and Hornsea services.

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

a) **implications for the operation of the System:**

None. Related proposals facilitate System operation by enhancing the availability and usage of Rough and Hornsea services.

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

There are not expected to be significant costs arising from this proposal of itself, although the broader separation of BG Storage from Transco does involve such costs.

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:**

Not applicable.

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

None; however prices for LNG services for 1999/2000 are expected to be the subject of an undertaking to Ofgas.

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:**

The separation of credit terms may expose Transco since it no longer has gas-in-store as security.

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

This proposal does not have additional implications, above those of BG Storage separation and the new Rough and Hornsea contract. BG Storage will have its own invoicing and credit management systems, no longer relying on Transco systems.

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

There will be changes in invoicing and credit management arrangements. Where storage separation has given rise to new charges that are clearly the operator's responsibility (e.g. Failure To Interrupt), the terms protect the User from these.

8. **The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Storage Operators, suppliers, producers and, any Non-Network Code Party:**

Of itself, the proposal has no such implications. However it is part of a package having major implications for Storage Operators.

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

Under the related proposal 0311, Users would have responsibility for certain aspects of flows at storage connection points e.g. gas quality and interruption. Where practicable this proposal protects Users from the consequences, for example indemnifying Users against Failure To Interrupt charges at relevant storage connection points. .

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

These must be considered in the context of the wider package of changes affecting storage. The advantages and disadvantages of this proposal are minor in relation to

these wider changes. Against this background, implementation is essential to maintain access to LNG services.

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

Six representations were received, one referring to a reply to the Ofgas consultation on storage which has been taken into account.

Three explicitly supported the proposal and in other cases it may be construed from the detailed points made that they did not object to the proposal in general. Two shippers commented that it was appropriate to retain (broadly) the existing rules for 1999.

Specific points were:

- Credit separation: One shipper was in favour; one found the rules “no more onerous” but questioned whether it was appropriate as its debt was with BG plc; one opposed credit separation for the same reason.
- One shipper said gas quality conditions should be the same as elsewhere.
- One shipper was concerned about shippers being exposed to gas quality liabilities and Failure To Interrupt (FTI) charges.

Transco Response:

The limited response suggests shippers are more concerned with other current issues surrounding storage. The community appears to support the proposal in general.

On credit separation, Transco is still of the view that this is necessary to achieve effective separation between BG Storage and Transco; experience shows that otherwise information will pass between them.

Transco believes that BG Storage understands the concern over gas quality issues and FTI charges, and will protect its customers from these risks. In particular, given that proposal 0311 would introduce FTI charges for storage points, BG Storage is expected to indemnify its customers against these charges. Gas quality issues are addressed in the same way as for the Rough and Hornsea contract, so as to avoid shippers being exposed to these risks.

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

Not required for these purposes.

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

Not required for this purpose.

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):**

This proposal should be agreed at the same time as proposal 0311 and the Rough / Hornsea contract.

The annual invitation is expected to be issued on 26th February, will be restricted to LNG, and is expected to close on 28th April. The proposal affects storage services from 1st May 1999.

16. **Recommendation concerning the implementation of the Modification Proposal:**

Transco supports this proposal, which is part of a package of changes intended to deliver BG plc's agreement with Ofgas on storage.

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:**

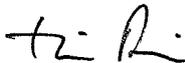
This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Director General in accordance with this report.

19. **Text:**

Appended. See attached Legal Text (Document reference '1624428.01').

Signed for and on behalf of Transco.

Signature:



Tim Davis
Manager, Network Code

Date: 25/1/99

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 0310 version 1.1) dated 25/01/99 be made as a modification to the Network Code.

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

Signature:

Director of Transportation Regulation

Date:

The Network Code is hereby modified, with effect from _____, in accordance with the proposal as set out in this Modification Report, version 1.1.

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.

:

1 March 1999

LEGAL TEXT: MODIFICATION 0310

Insert following text after existing Section W:

“SECTION Z

BGS LNG FACILITIES

1. GENERAL

1.1 BGS LNG Facilities

1.1.1 Subject to the provisions of this Section Z, Users may use a BGS LNG Facility by injecting gas into such facility, by having gas-in-storage within such facility and by withdrawing gas from such facility.

1.1.2 For the purposes of the Code, a "**BGS LNG Facility**" is a BG Storage Facility, which is also a LNG Facility, being those LNG Facilities located at Glenmavis, Partington, Dynevor Arms, Avonmouth and Isle of Grain.

1.2 Injection and withdrawal

1.2.1 Except on any Day when Section R2.2.1(b) applies, BG Storage shall be deemed to be appointed by each User as User Agent for the purposes of:

- (a) submitting Entry Allocation Statements in respect of relevant Storage Connection Points under Section E2.2.1;
- (b) submitting Exit Allocation Statements in respect of relevant Storage Connection Points under Section E3.3.1.

1.2.2 Subject to paragraphs 1.5, 6.6 and 6.7, the quantity of gas accounted for as injected or withdrawn on a Day to or from a BGS LNG Facility by a User will be the Nominated Quantity under its Storage Nomination (and subject as aforesaid references to gas injected or withdrawn by a User are to gas so accounted for as injected or withdrawn).

1.2.3 Where Users make Input Nominations in respect of the Storage Connection Point of a BGS LNG Facility for a Day for which other Users make Output Nominations in respect of the same Storage Connection Point:

- (a) the quantities injected and withdrawn by such Users shall be determined (in accordance with paragraph 1.2.2) on the basis of the Nominated Quantities; but only the net quantity will be offtaken from or (as the case may be) delivered to the System at the relevant Storage Connection Point;

- (b) Storage Injection Charges and Storage Withdrawal Charges (in accordance with paragraphs 5 and 6) will be payable in respect of the full quantities injected and withdrawn.

1.3 Gas-in-storage

1.3.1 Subject to paragraph 1.3.4, a User's "**gas-in-storage**" on any Day in a Storage Year in respect of a BGS LNG Facility is:

- (a) the sum of:
 - (i) the User's Opening Storage Balance in accordance with paragraph 1.3.5;
 - (ii) the quantities of gas injected by the User on Days in that Storage Year up to but not including such Day; and
 - (iii) the quantities subject to Storage Gas Transfers made in favour of the User with effect from Days in that Storage Year up to and including such Day, less
- (b) the sum of:
 - (i) the quantities of gas withdrawn by the User on Days in that Storage Year up to but not including such Day, and
 - (ii) the quantities subject to Storage Gas Transfers made by the User with effect from Days in that Storage Year up to and including such Day,

in respect of such BGS LNG Facility.

1.3.2 A User who has gas-in-storage in a BGS LNG Facility is entitled (subject to and in accordance with this Section Z) to have a quantity of gas, equal to the amount of its gas-in-storage, delivered to the System at the relevant Storage Connection Point by way of withdrawal, and (without prejudice to paragraph 4 or paragraph 10.4.1(d)) has no other entitlement in respect of gas-in-storage.

1.3.3 For the avoidance of doubt the amount of a User's gas-in-storage in respect of a BGS LNG Facility shall not be reduced in respect of LNG boil-off.

1.3.4 Where the amount determined in respect of a User in accordance with paragraph 1.3.1 is negative, the User's gas-in-storage shall be zero and the provisions of paragraph 7 shall apply.

1.3.5 A User's "**Opening Storage Balance**" in respect of a BGS LNG Facility for a Storage Year shall be the amount of the User's gas-in-storage (if any) at the end of the Preceding Storage Year plus the quantities (if any) injected and less the quantities (if any) withdrawn by the User on the last Day of the Preceding Storage Year.

1.4 Storage Nominations

1.4.1 Subject to paragraph 1.4.4, BG Storage will act on Users' Nominations to Transco in respect of BGS LNG Facilities, which Transco will make available to BG Storage (and will be deemed received by BG Storage when received by Transco), except in the case of Output Nominations made in respect of such facilities, which shall be made by BG Storage to Transco on Users' behalf; and Users will not make separate nominations to BG Storage in respect of injections to and withdrawals from BGS LNG Facilities.

1.4.2 Each User authorises BG Storage to inject and withdraw gas to and from each BGS LNG Facility pursuant to that User's Storage Nominations made in respect of such facility.

1.4.3 For the purposes of this Section Z:

- (a) a "**Storage Injection Nomination**" in respect of a BGS LNG Facility is an Output Nomination (including, but without prejudice to paragraph 5.8, a Renomination) made under Section C2 in respect of the relevant Storage Connection Point;
- (b) a "**Storage Withdrawal Nomination**" in respect of a BGS LNG Facility is an Input Nomination (including a Renomination and Flexibility Nomination) made under Section C3 in respect of the relevant Storage Connection Point;
- (c) a "**Storage Nomination**" is a Storage Injection Nomination or a Storage Withdrawal Nomination.

1.4.4 BG Storage will only act on User's Nominations to Transco in respect of BGS LNG Facilities where such are received (or are deemed to be received) by Transco not later than 15:30 hours on the Preceding Day.

1.4.5 Each User holding Storage Space in a Constrained Storage Facility authorises BG Storage to deliver gas to the System at the Storage Connection Point pursuant to a Constrained Storage Renomination and the Constrained Nomination Quantity under a Constrained Storage Renomination will be independent of the relevant User's Available Storage Deliverability, and the User will be liable (in accordance with paragraph 7) to pay any Storage Overrun Charges which may arise from a Constrained Storage Renomination.

1.5 Force Majeure

1.5.1 Where on any Day the withdrawal of gas from any BGS LNG Facility is affected by any occurrence of Force Majeure affecting BG Storage:

- (a) BG Storage may elect that paragraph 1.2.2 shall not apply in respect of such BGS LNG Facility; and
- (b) where BG Storage so elects in respect of the BGS LNG Facility so affected, the aggregate quantity withdrawn on the Day will be apportioned between Users in the proportions in which they have Available Storage Deliverability, but so that no User shall have apportioned a quantity exceeding the Nominated Quantities under its Storage Nomination.

1.5.2 In determining whether an event or circumstance affecting a particular BGS LNG Facility (the "**first**" such facility) is Force Majeure:

- (a) subject to paragraph (b), the ability of BG Storage to take (in relation to other BG Storage Facilities) any step available to it shall be taken into account, except to the extent to which (in BG Storage's judgement) the event or circumstance may have resulted in the loss of stored gas from the first BGS LNG Facility;
- (b) paragraph (a) shall not require BG Storage to take any step which would prejudice System security or result in an infringement of the requirements of Section R4.6.1;
- (c) the fact that BG Storage may previously (for the purposes of enabling the performance of its obligations in relation to another BG Storage Facility) have taken in relation to the first BGS LNG Facility any step under paragraph (a) above shall be taken into account.

1.6 Title and Risk to Gas

1.6.1 BG Storage shall have title to and risk in all gas contained in any BGS LNG Facility.

1.6.2 Title and risk to gas injected by a User to or withdrawn by a User from a BGS LNG Facility shall be treated as passing from the User to BG Storage or (as the case may be) from BG Storage to the User at the same point and at the same time at which title thereto passes from Transco to the User or (as the case may be) from the User to Transco.

1.7 Preceding Storage Year

In relation to any Storage Year the "**Preceding Storage Year**" is the Storage Year ending at the start of such Storage Year.

1.8 Application of this Section Z

BG Storage and its Users agree that where the application of this Section Z in respect of the Top-up Manager or of Transco when acting for Operating Margins Purposes is modified pursuant to Sections K or P, the provisions of those Sections shall prevail over those of this Section Z.

2. STORAGE CAPACITY

2.1 Storage Capacity

2.1.1 A User must hold capacity ("**Storage Capacity**") in a BGS LNG Facility in order to use the facility.

2.1.2 Storage Capacity comprises Storage Space and/or Storage Deliverability.

2.1.3 For the purposes of this Section Z:

- (a) "**Storage Space**" is capacity (in kWh) which entitles the User to inject gas into and have gas-in-storage in a BGS LNG Facility;
- (b) "**Storage Deliverability**" is capacity which entitles the User (provided it has gas-in-storage) to withdraw gas from a BGS LNG Facility,

in each case in accordance with and subject to the provisions of this Section Z.

2.1.4 Storage Deliverability is expressed in kWh/Day.

2.1.5 The "**Total Storage Capacity**" in respect of a BGS LNG Facility is:

- (a) Storage Space ("**Total Storage Space**") equivalent to the maximum quantity of gas that BG Storage determines can be withdrawn from the facility when full of stored gas, after allowing for LNG boil-off during the Storage Year; and/or
- (b) Storage Deliverability ("**Total Storage Deliverability**") equivalent to the maximum quantity of gas that BG Storage determines can be withdrawn from the facility in a period of 24 hours.

2.1.6 The "**Maximum Storage Capacity**" in respect of a BGS LNG Facility at any time is:

- (a) Storage Space ("**Maximum Storage Space**") determined as the Total Storage Space less the amount of Storage Space at the time subject to Long Term Storage Arrangements in accordance with paragraph 2.8 and Tanker Filling Arrangements in accordance with paragraph 2.9; and/or

- (b) Storage Deliverability ("**Maximum Storage Deliverability**") determined as the Total Storage Deliverability less the amount of Storage Deliverability at the time subject to Long Term Storage Arrangements in accordance with paragraph 2.8,

as specified for a Storage Year in the Annual Storage Invitation (in accordance with paragraph 3.1).

- 2.1.7 Subject to paragraph 2.8.2, in paragraphs 4, 5, 6 and 7 of this Section Z a reference to a User (in relation to a BGS LNG Facility) is to a User who holds Storage Capacity or has gas-in-storage in that facility.

2.2 Storage capacity registration

- 2.2.1 A User may apply for and (if its application is approved in accordance with paragraph 3.2.4) will be registered as holding Storage Capacity in accordance with paragraph 3.

- 2.2.2 For the purposes of this Section Z:

- (a) a User's "**Registered**" Storage Space or Storage Deliverability in relation to a BGS LNG Facility is the Storage Space or Storage Deliverability which the User is registered (in accordance with this Section Z) as holding in that facility on the Gas Flow Day;
- (b) the User's "**Available**" Storage Space or Storage Deliverability in relation to a BGS LNG Facility is the Storage Space or Storage Deliverability which the User holds on the Gas Flow Day in that facility after taking account of any Storage Capacity Transfer, determined in accordance with paragraph 4.4.2.

- 2.2.3 Except in the case of a Long Term Storage Arrangement under paragraph 2.8, a User will be registered as holding Storage Capacity for the period commencing with the start of the Storage Year (or the date of registration in accordance with paragraph 3.7.2 if later) and expiring at the end of the Storage Year; and until the end of the Storage Year the User's Registered Storage Capacity shall not be reduced and (subject to paragraph 10.3) the registration shall not be terminated.

2.3 Storage Duration

- 2.3.1 For the purposes of the Code the "**Storage Duration**" of the Storage Capacity applied for or registered as held by a User in a BGS LNG Facility is the number of Days obtained by dividing the Storage Space by the Storage Deliverability applied for or registered as held by the User in that facility.

- 2.3.2 Where a User applies under this Section Z for Storage Capacity the Storage Duration of the Storage Capacity applied for shall be 5 (but the Storage Duration of the Storage

Capacity which a User is registered as holding may differ in accordance with paragraph 2.9).

2.4 Unfilled Storage Space

For the purposes of the Code a User's "**unfilled**" Storage Space in a BGS LNG Facility is the amount by which at any time the User's Available Storage Space exceeds its gas-in-storage in that facility, and "**filled**" and "**fill**" Storage Space are to be construed accordingly.

2.5 Uncommitted Storage Capacity

At any time the "**Uncommitted**" Storage Space or Storage Deliverability of a BGS LNG Facility is the Maximum Storage Space or Maximum Storage Deliverability less the aggregate Storage Space or Storage Deliverability at such time registered as held by Users or Transco pursuant to applications, or subject to applications made but not yet approved, under paragraphs 3.1, 3.5 and 3.7 and Sections K and P.

2.6 Storage Capacity Charges

2.6.1 A User shall pay Storage Capacity Charges in respect of its Registered Storage Capacity in BGS LNG Facilities in accordance with the Annual Storage Invitation or (where applicable) paragraph 3.5.

2.6.2 For the purposes of the this Section Z:

- (a) "**Storage Capacity Charge**" means a Storage Space Charge or a Storage Deliverability Charge;
- (b) a "**Storage Deliverability Charge**" is a charge in respect of, and determined by reference to the amount of, a User's Registered Storage Deliverability in a BGS LNG Facility;
- (c) a "**Storage Space Charge**" is a charge in respect of, and determined by reference to the amount of, a User's Registered Storage Space in a BGS LNG Facility.

2.6.3 The "**Applicable Storage Space Charge Rate**" or "**Applicable Storage Deliverability Charge Rate**" respectively is the annual rate of the Storage Space Charge or (as the case may be) Storage Deliverability Charge payable (in accordance with paragraph 2.6.1) in respect of:

- (a) Storage Space, in pence per kWh of Storage Space, for a Storage Year;
- (b) Storage Deliverability, in pence per kWh/Day of Storage Deliverability, for a Storage Year.

2.6.4 Storage Capacity Charges will be invoiced and are payable monthly in accordance with paragraph 8.

2.7 System Capacity

For the avoidance of doubt, the provisions of Section B and Section R as to System Capacity at the relevant Storage Connection Point apply (in respect of offtake and delivery of gas from and to the System) to a User who holds Storage Capacity, in addition to this Section Z.

2.8 Long Term Storage Arrangements

2.8.1 BG Storage may enter into arrangements ("**Long Term Storage Arrangements**") with any User pursuant to which the User will or may hold Storage Capacity for a period of more than 12 months.

2.8.2 The terms of this Section Z will apply in respect of Long Term Storage Arrangements except to the extent excluded by or inconsistent with such arrangements; but (unless expressly provided otherwise) references in this Section Z to Users do not include Users in respect of the Storage Capacity held under Long Term Storage Arrangements.

2.8.3 BG Storage will not enter into a Long Term Storage Arrangement, having effect in any Storage Year, between the date of the Annual Storage Invitation for that year and the date on which Storage Capacity is allocated (in accordance with paragraph 3.1.6) pursuant to such invitation.

2.9 Tanker Filling Arrangements

2.9.1 BG Storage may enter into arrangements ("**Tanker Filling Arrangements**") pursuant to which Users may hold Storage Space and have gas-in-storage in a BGS LNG Facility and may withdraw gas from such facility as LNG loaded onto road tankers.

2.9.2 Under a Tanker Filling Arrangement a User will not hold Storage Deliverability (and the requirement as to Storage Duration of paragraph 2.3 will not apply in respect of the User's Storage Space) but the User will pay charges (in accordance with the Annual Storage Invitation) for the entitlement to withdraw and/or for withdrawing gas under such arrangement.

3. APPLICATION FOR STORAGE CAPACITY

3.1 Annual Storage Invitation

- 3.1.1 For each Storage Year BG Storage will, not later than 1st March in the Preceding Storage Year, invite (in accordance with paragraph 3.1.2) applications for Storage Capacity in each BGS LNG Facility.
- 3.1.2 For each BGS LNG Facility, BG Storage may invite (as to the whole of the Maximum Storage Capacity) applications for Storage Space and/or Storage Deliverability either:
- (a) on the basis of allocation under paragraph 3.4; or
 - (b) by way of a tender on the basis of price, for allocation under paragraph 3.5.
- 3.1.3 BG Storage's invitation (the "**Annual Storage Invitation**") under paragraph 3.1.1 will specify in respect of each BGS LNG Facility:
- (a) the date ("**Invitation Close Date**") by which applications pursuant to such invitation must be made, which shall not be less than 30 Days after the date of the invitation;
 - (b) the Maximum Storage Space and Maximum Storage Deliverability as at the date of the Annual Storage Invitation;
 - (c) whether the invitation is made under paragraph 3.1.2(a) or 3.1.2(b);
 - (d) the Injection Period for the purposes of paragraph 5.2;
 - (e) where the invitation is made under paragraph 3.1.2(a), the Applicable Storage Space Charge Rate and the Applicable Storage Deliverability Charge Rate;
 - (f) where the invitation is made under paragraph 3.1.2(b), the fixed Storage Duration in accordance with paragraph 3.5.4, and a late-booking rate for the purposes of paragraph 3.7.7;
 - (g) the charges for injection and withdrawal and periods to which such charges apply in accordance with paragraphs 5 and 6;
 - (h) in the case of each BGS LNG Facility which is also a Constrained Storage Facility, the details specified by Transco under R4.1.4 and the required percentages for the purposes of paragraph R4.6.3;
 - (i) in the case of a relevant BGS LNG Facility, charges for Tanker Filling Arrangements; and
 - (j) such other matters as may be provided for in this Section Z or, not being inconsistent with any provision of this Section Z, as BG Storage may reasonably determine.

- 3.1.4 Users may apply (in accordance with paragraph 3.2) for Storage Capacity in each BGS LNG Facility pursuant to the Annual Storage Invitation at any time up to, but (without prejudice to paragraph 3.7) not after, the Invitation Close Date.
- 3.1.5 A User must make a separate application in respect of each BGS LNG Facility in which it applies for Storage Capacity (but such applications may be submitted in a single application form).
- 3.1.6 Each User whose application is approved in accordance with paragraph 3.2.4 will be registered as holding the Storage Capacity allocated (in accordance with paragraph 3.4 or 3.5) to it, and BG Storage will inform each User of its Registered Storage Capacity in respect of each BGS LNG Facility not later than 28th April in the Preceding Storage Year.
- 3.1.7 For the purposes of paragraph 3.1.6, except where (in accordance with paragraph 3.4.2 or 3.5.6) the Storage Capacity applied for exceeds the Maximum Storage Capacity, each User whose application is approved will be considered to have been allocated the Storage Capacity it applied for.
- 3.1.8 Any terms included in the Annual Storage Invitation pursuant to paragraph 3.1.3(j) shall be deemed to have been accepted by each User who applies for Storage Capacity (whether under paragraph 3.1.4 or paragraph 3.7), and shall apply in addition to the provisions of this Section Z.

3.2 Storage application

- 3.2.1 An application for Storage Capacity shall specify:
- (a) the identity of the User;
 - (b) the BGS LNG Facility;
 - (c) the amount of Storage Space and the amount of Storage Deliverability, subject to the Storage Duration as defined in paragraph 2.3.2, for which the application is made;
 - (d) where the Annual Storage Invitation was made under paragraph 3.1.2(b) and the application is made pursuant to that invitation, the annual rates of the charges which the User agrees to pay by way of Storage Capacity Charges in respect of the Storage Capacity allocated to it;
 - (e) where the Annual Storage Invitation was made under paragraph 3.1.2(a) and the application is made pursuant to that invitation, whether the User wishes paragraph 3.4.6 to apply to it, any preference (as to the BGS LNG Facilities in which it is allocated Storage Capacity) for the purposes of paragraph 3.4.5,

any ranking for the purposes of paragraph 3.4.7, and any request for the purposes of paragraph 3.4.8;

- (f) where the User holds Storage Capacity in the relevant facility in the Preceding Storage Year, the amount (if any) of gas-in-storage which the User expects to hold at the end of the Preceding Storage Year; and
- (g) such other matters as the Annual Storage Invitation may (pursuant to paragraph 3.1.3(j)) require.

3.2.2 The User may submit a proposed Provisional Injection Programme (for the purposes of paragraph 5.3.3) with its application under paragraph 3.2.1.

3.2.3 BG Storage may reject an application for Storage Capacity:

- (a) where the requirements of paragraph 3.2.1 are not complied with; or
- (b) in accordance with paragraph 9.

3.2.4 BG Storage will approve or reject (under paragraph 3.2.3) applications for Storage Capacity made pursuant to the Annual Storage Invitation before allocating Storage Capacity in accordance with paragraph 3.4 or 3.5 (and references in those paragraphs to applications are to applications which have been so approved).

3.3 Capacity allocation: Preceding Year Users

In respect of each BGS LNG Facility, in any Storage Year a User (a "**Preceding Year User**") with gas-in-storage at the Invitation Close Date who applies pursuant to the Annual Storage Invitation (whether made under paragraph 3.1.2(a) or (b) for Storage Capacity in that facility shall be entitled to be allocated not less than the amount (the "**Preceding Year Entitlement**") of Storage Capacity determined as the maximum amounts of Storage Space and Storage Deliverability in respect of which all of the conditions in paragraphs (a), (b) and (c) below are satisfied:

- (a) where the User held Storage Capacity in the BGS LNG Facility in the Preceding Storage Year, the respective amounts of Storage Space and Storage Deliverability shall be in the proportions in which the User was registered as holding such capacity at 1st December of the Preceding Storage Year;
- (b) the amounts of Storage Space and Storage Deliverability shall not exceed the lesser of:
 - (i) 65% of the amount of the User's Registered Storage Space or (as the case may be) Storage Deliverability at 1st December in the Preceding Storage Year, and

- (ii) the amount of such Storage Space or Storage Deliverability (for the Storage Year) which the User applied for pursuant to the Annual Storage Invitation or (where the Annual Storage Invitation was made under paragraph 3.1.2(a)) was treated in accordance with paragraph 3.4.5 as applying for; and
- (c) the amount of Storage Space shall not exceed the amount of the User's gas-in-storage at the Invitation Close Date.

3.4 Capacity allocation: non-price invitation

3.4.1 This paragraph 3.4 applies where the Annual Storage Invitation in respect of a BGS LNG Facility was made under paragraph 3.1.2(a), and references in this paragraph 3.4 to Storage Capacity are references to Storage Space, Storage Deliverability or both, as appropriate.

3.4.2 If applications are made pursuant to the Annual Storage Invitation for Storage Space or Storage Deliverability at a BGS LNG Facility in aggregate greater than the relevant Maximum Storage Capacity BG Storage will allocate Storage Space or Storage Deliverability (as to each of which this paragraph 3.4 shall apply separately) between Users whose applications were not rejected:

- (a) first, to Transco for Operating Margins Purposes as to the full amount of Storage Capacity applied for;
- (b) thereafter in accordance with the further provisions of this paragraph 3.4 (for the purposes of which references to Maximum Storage Capacity are net of capacity allocated under paragraph (a) and references to Users do not include Transco for Operating Margins Purposes).

3.4.3 BG Storage will determine provisional allocations of Storage Capacity both:

- (a) between Preceding Year Users in accordance with paragraph 3.3, and
- (b) between all Users who applied for Storage Capacity, allocating the Maximum Storage Capacity, pro rata to the amounts applied for or treated (under paragraph 3.4.6) as applied for.

3.4.4 Following the provisional allocations under paragraph 3.4.3, BG Storage will:

- (a) allocate to each Preceding Year User whichever is the greater of the Preceding Year Entitlement and the amount of Storage Capacity provisionally allocated under paragraph 3.4.3(b); and
- (b) allocate the balance of the Maximum Storage Capacity remaining after the allocation under paragraph (a) between Users other than Preceding Year Users,

allocating such balance pro rata to the amounts of Storage Capacity applied for or treated (under paragraph 3.4.6) as applied for.

3.4.5 Where:

- (a) BG Storage receives and approves applications for Storage Capacity in a BGS LNG Facility in aggregate greater than the Maximum Storage Capacity, and
- (b) any User (an "**electing User**") so elected under paragraph 3.2.1(e),

then unless BG Storage is able (having regard to any preferences expressed under paragraph 3.2.1(e)) to agree an alternative allocation with all Users who applied for Storage Capacity in BGS LNG Facilities, paragraph 3.4.6 shall apply.

3.4.6 In the circumstances in paragraph 3.4.5, subject to paragraphs 3.4.7 and 3.4.8:

- (a) BG Storage will determine for each BGS LNG Facility (other than any for which the Annual Storage Invitation was made under paragraph 3.1.2(b)) the ratio between the aggregate Storage Capacity for which such applications were approved and the Maximum Storage Capacity, and will rank the BGS LNG Facilities in order by such ratio (the facility for which Storage Capacity applied for exceeds Maximum Storage Capacity by the greatest proportion ranking first);
- (b) the allocation under this paragraph 3.4 will be carried out in respect of each BGS LNG Facility sequentially, in the order ranked under paragraph (a) starting with the first ranking;
- (c) in carrying out such allocation in respect of each BGS LNG Facility other than the first ranking, each electing User shall be treated as having applied for Storage Capacity in an amount determined by aggregating:
 - (i) the Storage Capacity (if any) specified in its application for such facility; and
 - (ii) Storage Capacity in an amount equal to the amount of Storage Capacity it applied for (or was treated under this paragraph as having applied for), but under the rules in this paragraph 3.4 was not allocated, in the prior-ranking BGS LNG Facility.

3.4.7 For the purposes of paragraph 3.4.6, where a User stipulated under paragraph 3.2.1(e) a ranking of all or any of the BGS LNG Facilities:

- (a) that User will not participate in the allocation under paragraph 3.4.6(c) in respect of any BGS LNG Facility:

- (i) which the User did not include in its ranking,
 - (ii) which was ranked under paragraph 3.4.6(a) before the BGS LNG Facility ranked first by the User;
 - (b) the User will participate in the allocation under paragraph 3.4.6(c):
 - (i) as to the BGS LNG Facility ranked first by the User; and
 - (ii) thereafter, only as respects any BGS LNG Facility which was ranked under paragraph 3.4.6(a) after the BGS LNG Facility which the User ranked immediately before it.
- 3.4.8 A User who did not stipulate a ranking for the purposes of paragraph 3.4.7 may stipulate under paragraph 3.2.1(e) that, if the User is not allocated the entirety of the Storage Capacity applied for in a BGS LNG Facility, the User is not to be allocated any Storage Capacity in such facility; and where any User(s) made such a stipulation, in the circumstances in paragraph 3.4.5 any such User will be allocated no such Storage Capacity unless the result of not allocating Storage Capacity to another such User is that paragraph 3.4.5 no longer applies.

3.5 Capacity allocation: price tender

- 3.5.1 This paragraph 3.5 applies where the Annual Storage Invitation in respect of a BGS LNG Facility was made under paragraph 3.1.2(b), and references in this paragraph 3.5 to Storage Capacity are references to Storage Space, Storage Deliverability or both, as appropriate.
- 3.5.2 Each User (including for the avoidance of doubt Transco for Operating Margins Purposes) who applies for Storage Capacity shall tender a price or prices (in accordance with paragraph 3.2.1(d)), and agrees by making such application to pay by way of Storage Capacity Charges the prices so tendered in respect of the amounts of Storage Capacity allocated in accordance with this paragraph 3.5 or to pay the relevant Market Clearing Price as determined under paragraph 3.5.11 if less.
- 3.5.3 In this paragraph 3.5 "**price**" means the annual rate of the Storage Space Charge and/or Storage Deliverability Charge tendered by a User in its application in accordance with paragraph 3.2.1(d).
- 3.5.4 BG Storage will in the Annual Storage Invitation stipulate a fixed Storage Duration in respect of Storage Capacity to be applied for and Users will be required to tender a single composite price.
- 3.5.5 BG Storage will carry out a provisional allocation of Storage Capacity by:

- (a) ranking the applications in order of price; and
- (b) allocating to each application, in descending order of price starting with the highest priced, the amount of Storage Capacity applied for (or part thereof in the case of the lowest-priced application(s) to which Storage Capacity is allocated), until an amount of Storage Capacity equal to the Maximum Storage Capacity has been allocated,

and where the same price was tendered in two or more applications, ranking such applications equally and allocating Storage Capacity pro rata to the amounts applied for.

3.5.6 Following the provisional allocation under paragraph 3.5.5, BG Storage will, for Operating Margins Purposes and each Preceding Year User:

- (a) determine whether, and if so the amount ("**Provisional Allocation Shortfall**") by which, the amount of Storage Space and/or Storage Deliverability provisionally allocated under paragraph 3.5.5 is less than the amount of the Preceding Year Entitlement or (as the case may be) the amount applied for Operating Margins Purposes; and
- (b) not later than 3 Business Days after the Invitation Close Date notify to each such User (each a "**Provisional Shortfall User**") for whom there is a Provisional Allocation Shortfall the amount of such shortfall and the high weighted average price in accordance with paragraph 3.5.8.

3.5.7 Each Provisional Shortfall User may, not later than 5 Business Days after BG Storage's notification under paragraph 3.5.6(b), elect to have allocated to it, in addition to that provisionally allocated under paragraph 3.5.5, Storage Space and/or Storage Deliverability (subject to any fixed Storage Duration stipulated under paragraph 3.5.4) in an amount (the "**Elected Shortfall Allocation**") not exceeding the Provisional Allocation Shortfall, on the basis that (and so that by making such election the Provisional Shortfall User agrees that) the rate of the Storage Capacity Charges payable by the Provisional Shortfall User in respect of the Elected Shortfall Allocation will be the high weighted average price determined in accordance with paragraph 3.5.8.

3.5.8 The "**high weighted average price**" payable by a Provisional Shortfall User is the amount ('R') determined by reference to Users' applications under paragraph 3.5.2 (as ranked under paragraph 3.5.5) and the Elected Shortfall Allocations of all Provisional Shortfall Users as follows:

where for each application ('i') (so that i is 1 for the highest priced application);

Pi is the tendered price;

Qi is the amount (or in the case of Qn, part of the amount) of Storage Capacity applied for;

and where

Qs is the aggregate amount of the Elected Shortfall Allocations (or for the purposes of paragraph 3.5.6(a) the Provisional Allocation Shortfalls) of all Provisional Shortfall Users; and

'n' and 'Qn' are defined so that:

- 3.5.9 Where one or more Provisional Shortfall Users elect to be allocated additional Storage Capacity under paragraph 3.5.7, BG Storage shall carry out a revised allocation of Storage Capacity, by:
- (a) reallocating to such Provisional Shortfall Users the Storage Capacity provisionally allocated to applications under paragraph 3.5.5, withdrawing such Storage Capacity from applications in ascending order of price, starting with the lowest priced application to which Storage Capacity was provisionally allocated, until the full amounts of the Elected Shortfall Allocations are allocated;
 - (b) to the extent that after the steps in paragraph (a) any of the Maximum Storage Capacity is unallocated, allocating on the same basis as in paragraph 3.5.5 such Storage Capacity to applications to which Storage Capacity has not been allocated.
- 3.5.10 Where the effect of any withdrawal pursuant to paragraph 3.5.9 of Storage Capacity provisionally allocated to a Preceding Year User (whether or not already a Provisional Shortfall User) is to reduce the Storage Capacity provisionally allocated to such User to less than the Preceding Year Entitlement, the application of paragraphs 3.5.6 to 3.5.9 will be repeated on the basis that the Provisional Allocation Shortfall (for the purposes of paragraph 3.5.6(a)) is ascertained on the basis of the revised allocation under paragraph 3.5.9.
- 3.5.11 Following allocation of Storage Capacity in accordance with paragraphs 3.5.1 to 3.5.10 above BG Storage will determine a price (the "**Market Clearing Price**"), which shall be the lowest price tendered in respect of allocated Storage Capacity.
- 3.5.12 Following the determination of each User's allocation of Storage Capacity pursuant to this paragraph 3.5 in respect of each Storage Year, BG Storage will send to the Director a statement setting out such allocations and showing how they were (in accordance with this paragraph 3.5) calculated.

3.6 Gas left in storage

3.6.1 For the purposes of this paragraph 3.6.1, in respect of each BGS LNG Facility, in respect of any Storage Year:

- (a) a "**Carry-over User**" is a User whose Opening Storage Balance exceeds its Available Storage Space on 1st May in the Storage Year;
- (b) a Carry-over User's "**uncovered gas-in-storage**" in a BGS LNG Facility on any Day in the Injection Period is the lesser of:
 - (i) the amount by which its gas-in-storage exceeds whichever is the greater of:
 - (1) the User's Registered Storage Space (allocated pursuant to an application under the Annual Storage Invitation), and
 - (2) the User's Available Storage Space; and
 - (ii) the amount of the User's uncovered gas-in-storage determined in accordance with this paragraph 3.6.1 on any preceding Day in the Injection Period.

3.6.2 A Carry-over User may, on each Day in the Injection Period up to and including 30th September, have uncovered gas-in-storage not exceeding an amount (the "**Permitted Uncovered Amount**") equal to the amount of Empty Storage Space allocated to it under paragraph 3.6.4(b), without the provisions of paragraph 6.4 applying.

3.6.3 Each Carry-over User shall secure that:

- (a) it does not have uncovered gas-in-storage on any Day in an amount exceeding the Permitted Uncovered Amount under paragraph 3.6.2; and
- (b) on 1st October it has no uncovered gas-in-storage;

and where the User does not secure such requirements paragraph 6.4 shall apply.

3.6.4 As at the Day ("**Confirmation Day**") at which BG Storage establishes Confirmed Injection Programmes for a month under paragraph 5.4, BG Storage will:

- (a) determine for each BGS LNG Facility in respect of each Day (the "**relevant Day**") in that month, on the basis of the Confirmed Injection Programmes for such month and for the preceding month, the amount ("**Empty Storage Space**"), if any, by which the Maximum Storage Space exceeds the aggregate of:

- (i) the gas-in-storage of all Users (excluding uncovered gas in storage, but including gas-in-storage of Users holding Special Storage Capacity as at the Confirmation Day), and
 - (ii) the Confirmed Injection Quantities in accordance with such Confirmed Injection Programmes (including in relation to the preceding month Confirmed Injection Quantities of Users holding Special Storage Capacity) of all Users for each Day from the Confirmation Day up to and including the relevant Day; and
- (b) allocate (for the purposes of paragraph 3.6.2 only) the Empty Storage Space in respect of each relevant Day between Carry-over Users in proportion to their respective amounts of uncovered gas-in-storage as at the Confirmation Day.

3.6.5 BG Storage will notify to each Carry-over User, at the same time that it notifies Confirmed Injection Programmes to Users for any month, the amount of Empty Storage Space allocated to it in respect of each Day in that month.

3.7 Late booking

3.7.1 Subject to paragraph 3.7.2 a User may apply in accordance with paragraph 3.2 for Storage Capacity (or additional Storage Capacity) in any BGS LNG Facility after the Invitation Close Date.

3.7.2 Subject to paragraph 3.7.4, BG Storage will approve or reject the application in accordance with paragraph 3.2.4; and (where the application is approved) the User will be registered as holding the Storage Capacity applied for with effect from the Day of such approval.

3.7.3 BG Storage will notify the User whether the application was approved or rejected within 3 Business Days after the application was made.

3.7.4 An application under paragraph 3.7.1 will not be approved if at the time of the application either the Storage Space or the Storage Deliverability applied for exceeds the Uncommitted Storage Capacity in the relevant BGS LNG Facility.

3.7.5 If the Storage Capacity applied for exceeds the Uncommitted Storage Capacity:

- (a) BG Storage will (when notifying rejection of the application) so inform the User, specifying the Uncommitted Storage Capacity; and the User may then re-apply for Storage Capacity;
- (b) if within 2 Business Days after BG Storage's notification the User so re-applies, such re-application shall be treated (for the purposes of determining

the Uncommitted Storage Capacity) as made at the time that its rejected application was made.

- 3.7.6 So far as capable of applying, the terms of the Annual Storage Invitation shall apply in respect of Storage Capacity held pursuant to an application under this paragraph 3.7 (but such an application shall not be treated as made pursuant to the Annual Storage Invitation).
- 3.7.7 Where the Annual Storage Invitation was made under paragraph 3.1.2(b) the rates of the Storage Capacity Charges payable by a User who is registered as holding Storage Capacity under this paragraph 3.7 will (subject to paragraph 3.7.8) be the late-booking rate specified pursuant to paragraph 3.1.3(f) in the Annual Storage Invitation.
- 3.7.8 A User who is registered as holding Storage Capacity under this paragraph 3.7 will pay Storage Capacity Charges:
- (a) with effect from the Day of such registration, at the Applicable Storage Capacity Charge Rate and in accordance with paragraph 2.6.4;
 - (b) in respect of the period from 1st May until the Day before the Day of registration, calculated as

$$(n * P * Q) / 365$$

where:

n is the number of Days from 1st May (inclusive) up to (but not including) the Day of registration;

P is the Applicable Storage Capacity Charge Rate;

and Q is the amount of such Storage Capacity.

- 3.7.9 The amount payable under paragraph 3.7.8(b) will accrue in the registration month and will be invoiced and payable (in accordance with paragraph 8) accordingly.
- 3.7.10 Where a User is registered as holding Storage Capacity under this paragraph 3.7 BG Storage will notify the Top-up Manager who may elect (in accordance with Section P4.4) to surrender Storage Capacity in an equivalent amount.

3.8 Special Storage Capacity

- 3.8.1 Subject to paragraph 3.8.2, in respect of any Storage Year, BG Storage may (but shall not be required to) enter into arrangements in respect of capacity ("**Special Storage**

Capacity") in any BGS LNG Facility, on terms and conditions (specified by BG Storage in such invitation) which are different from those of this Section Z.

3.8.2 BG Storage may not enter into arrangements in respect of Special Storage Capacity:

- (a) which would conflict in any material way with the rights under this Section Z of any User in respect of Storage Capacity held before such arrangement is entered into; or
- (b) for any period greater than one Storage Year; or
- (c) in respect of any Storage Year, until it has allocated Storage Capacity in respect of that year pursuant to applications made in accordance with paragraph 3.1.4 under the Annual Storage Invitation.

4. STORAGE TRANSFERS

4.1 Basis of transfer

4.1.1 A User (the "**Transferor Storage User**") may at any time:

- (a) transfer all or part of its Available Storage Space or its Available Storage Deliverability in a BGS LNG Facility to, or
- (b) make a Storage Gas Transfer in respect of a quantity of gas in relation to a BGS LNG Facility in favour of

another User (the "**Transferee Storage User**"), subject to and in accordance with this paragraph 4.

4.1.2 The requirements as to Storage Duration in paragraph 2.3 apply in respect of applications for Storage Capacity, and not Available Storage Capacity; and accordingly a Storage Capacity Transfer may be made disregarding such requirements.

4.1.3 For the purposes of this Section Z:

- (a) a "**Storage Space Transfer**" and a "**Storage Deliverability Transfer**" are respectively a transfer of Storage Space or Storage Deliverability in accordance with paragraph 4.1.1(a), and a "**Storage Capacity Transfer**" is a Storage Space Transfer or a Storage Deliverability Transfer;
- (b) a "**Storage Gas Transfer**" is an arrangement between two Users made for the purposes of paragraph 4.5;

(c) a "**Storage Transfer**" is a Storage Capacity Transfer or a Storage Gas Transfer.

4.1.4 A Storage Deliverability Transfer may be for any Day or consecutive Days within the period for which the Transferor Storage User holds (by virtue of registration or any Storage Deliverability Transfer) such capacity; and a Storage Space Transfer shall be for the period from (and including) the date of such transfer until the end of the Storage Year.

4.1.5 In respect of a Storage Transfer or proposed Storage Transfer:

- (a) in the case of a Storage Capacity Transfer, the "**Transferred Storage Capacity**" is the Storage Capacity which is (or is to be) transferred;
- (b) in the case of a Storage Gas Transfer, the "**Transferred Gas-in-Storage**" is the quantity subject to such Storage Gas Transfer;
- (c) the "**Storage Transfer Period**" is in the case of a Storage Deliverability Transfer the Day or Days, and in the case of a Storage Space Transfer the period, in accordance with paragraph 4.1.4, for which the transferred capacity is (or is to be) transferred;
- (d) in the case of a Storage Gas Transfer the "**transfer date**" is the Day on and with effect from which the Storage Gas Transfer is to take effect;
- (e) the "**Transfer Storage Facility**" is the BGS LNG Facility at which Storage Capacity is (or is to be) transferred or in respect of which a Storage Gas Transfer is (or is to be) made.

4.2 Storage Gas and Capacity Transfers

4.2.1 A User may not transfer Storage Space or make a Storage Gas Transfer where as a result:

- (a) either the Transferee Storage User or the Transferor Storage User would have gas-in-storage in excess of its Available Storage Space in the Transfer Storage Facility; or
- (b) in the case of a Constrained LNG Facility, the requirement in Section R4.6.1 would not be satisfied by either the Transferor Storage User or the Transferee Storage User.

4.2.2 The Transferred Gas-in-Storage under a Storage Gas Transfer shall not exceed the amount of the Transferor Storage User's gas-in-storage in the Transfer Storage Facility.

4.2.3 BG Storage may but shall not be required to reject a Storage Transfer in respect of which the requirements of paragraph 4.2.1 or 4.2.2 are not satisfied; and where BG Storage does not reject such a Storage Transfer the Storage Transfer will take effect and a Storage Overrun Charge and/or Storage Management Charge may be payable by either User in accordance with paragraphs 7.1 and 7.3.

4.3 Procedure

4.3.1 Where a User proposes to make a Storage Transfer, each of the Transferor Storage User and the Transferee Storage User must notify the proposed Storage Transfer to BG Storage specifying:

- (a) the identity of the Transferor Storage User and Transferee Storage User;
- (b) the Transfer Storage Facility;
- (c) whether the Storage Transfer is a Storage Space Transfer, a Storage Deliverability Transfer or a Storage Gas Transfer, or a combination in accordance with paragraph 4.3.2;
- (d) the amount of the Transferred Storage Capacity, or (as the case may be) Transferred Gas-in-Storage; and
- (e) in the case of a Storage Capacity Transfer, the Storage Transfer Period, or in the case of a Storage Gas Transfer, the transfer date.

4.3.2 A combined notification may (and where required to satisfy the condition in paragraph 4.2.1 shall) be made in respect of a Storage Space Transfer and Storage Gas Transfer at one BGS LNG Facility.

4.3.3 A proposed Storage Transfer may not be notified later than 04:00 hours on the transfer date or (as the case may be) Day or first Day of the Storage Transfer Period.

4.3.4 BG Storage may reject a Storage Transfer:

- (a) in accordance with paragraph 4.2.3,
- (b) where either the Transferor Storage User or the Transferee Storage User does not notify the Storage Transfer in accordance with paragraph 4.3.1 or 4.3.3; or
- (c) in accordance with paragraph 9.

4.3.5 A Storage Transfer shall be effective if it is approved by BG Storage or is not rejected by BG Storage within 60 minutes after it was notified by the Transferor Storage User or (if later) the Transferee Storage User under paragraph 4.3.1.

4.4 Effect of Storage Capacity Transfer

- 4.4.1 Except for the purposes of paragraph 4.4.3, and subject to paragraph 4.6, the Transferee Storage User will be treated during the Storage Transfer Period as holding the Transferred Storage Capacity.
- 4.4.2 A User's Available Storage Capacity in a BGS LNG Facility on a Day will be determined as its Registered Storage Capacity, adjusted in respect of any Storage Capacity Transfer(s) (for which that facility is the Transfer Storage Facility and the Storage Transfer Period includes that Day) by adding the Transferred Storage Capacity where the User was the Transferee Storage User, and deducting the Transferred Storage Capacity where the User was the Transferor Storage User, subject to paragraph 4.6.
- 4.4.3 A User will remain liable for Storage Capacity Charges in respect of its Registered Storage Capacity irrespective of any Storage Capacity Transfer.

4.5 Effect of Storage Gas Transfer

With effect from (and including) the transfer date, the Transferred Gas-in-Storage will be added to the Transferee Storage User's gas-in-storage and deducted from the Transferor Storage User's gas-in-storage in respect of the Transfer Storage Facility.

4.6 Effect of Termination

- 4.6.1 Where during the Storage Transfer Period in respect of a Storage Capacity Transfer the Transferor Storage User ceases, pursuant to paragraph 10, to be a User for the purposes of this Section Z:
- (a) BG Storage will so notify the Transferee Storage User as soon as reasonably practicable and in any event not more than 5 Business Days after giving Storage Termination Notice to the Transferor Storage User;
 - (b) with effect from the Storage Discontinuance Date the Storage Capacity Transfer will lapse and the Transferee Storage User will cease to be treated as holding the Transferred Storage Capacity;
 - (c) the Transferee Storage User may elect to be registered in accordance with paragraph 4.6.2 as holding Storage Capacity (in addition to any such capacity held other than by virtue of the Storage Capacity Transfer) in the Transfer Storage Facility:
 - (i) in an amount not exceeding the Transferred Storage Capacity, and
 - (ii) for (in the case of a Storage Deliverability Transfer) any Day or consecutive Days within the Storage Transfer Period, or (in the case

of a Storage Space Transfer) a period from any Day (before or after the date of such election, but not before the Storage Discontinuance Date) in the Storage Transfer Period until the end of the Storage Transfer Period.

4.6.2 Where under paragraph 4.6.1 the Transferee Storage User elects to be registered as holding Storage Capacity:

- (a) the Transferee Storage User shall notify BG Storage, as soon as reasonably practicable and in any event not more than 5 Business Days after BG Storage's notice under paragraph 4.6.1(a), of such election, specifying the Storage Capacity and period in accordance with paragraphs 4.6.1(c)(i) and (ii);
- (b) the Transferee Storage User will be registered as holding Storage Capacity in the amount and for the period elected (notwithstanding any other requirement of the Code as to the prior notice required for or the period of registration);
- (c) the Transferee Storage User will accordingly be liable for Storage Capacity Charges in respect of the elected Storage Capacity at the Transfer Storage Facility for the elected period;
- (d) where the Annual Storage Invitation was made under paragraph 3.1.2(b), the Storage Capacity Charges referred to in paragraph (c) will be at the weighted average of the rates of Storage Charges payable by all Users who were allocated Storage Capacity pursuant to such invitation.

4.6.3 Where during the Storage Transfer Period in respect of a Storage Capacity Transfer the Transferee Storage User ceases, pursuant to paragraph 10, to be a User for the purposes of Section Z:

- (a) BG Storage will so notify the Transferor Storage User as soon as reasonably practicable and in any event not more than 5 Business Days after giving Storage Termination Notice to the Transferee Storage User;
- (b) with effect from the Storage Discontinuance Date, the Storage Capacity Transfer will lapse and the Transferee Storage User will cease to be treated as holding the Transferred Storage Capacity which will revert to (and be treated as held by) the Transferor Storage User.

4.6.4 For the avoidance of doubt, the fact that a User shall cease to be a User for the purposes of Section Z under paragraph 10 shall not affect any Storage Gas Transfer made before the Storage Discontinuance Date.

4.7 Effect on injection programmes

Where a User makes a Storage Space Transfer in respect of unfilled Storage Space during the Injection Period:

- (a) the Transferee Storage User shall (where it was not before the Storage Transfer a User in respect of the Transfer Storage Facility) be treated as having a Confirmed Injection Programme for the month in which the Storage Transfer Period commences, with zero Confirmed Injection Quantities, and a Provisional Injection Programme for subsequent months in the Injection Period with zero injection quantities;
- (b) the Transferor Storage User and the Transferee Storage User may notify to BG Storage not less than 3 Business Days before any Programmed Injection Day within the Storage Transfer Period equal and opposite adjustments to the injection quantities in their respective Confirmed Injection Programmes.

5. INJECTION

5.1 Introduction

- 5.1.1 A User may inject gas into a BGS LNG Facility in which it holds Storage Space on Days and in quantities established in accordance with this paragraph 5.
- 5.1.2 For the purposes of planning a User's injections, Provisional and Confirmed Injection Programmes will be established in accordance with paragraphs 5.3 and 5.4.
- 5.1.3 For the purposes of this Section Z, in respect of each BGS LNG Facility:
 - (a) an "**injection quantity**" is a quantity of gas to be injected on a Day;
 - (b) an "**injection programme**" is a programme of planned injections by a User into the facility, setting out for each Programmed Injection Day an injection quantity;
 - (c) "**Programmed Injection Days**" are Days in the Injection Period (or in the context of a particular injection programme, in the period to which the programme applies) other than Days on which it is planned or known that the injection facilities will not be in operation for any reason;
 - (d) the "**User Injection Rate**" for each User at any time is a rate of injection in kWh/Day determined as that User's Available Storage Space divided by the total filling period;

(e) the "**Facility Injection Rate**" is the rate of injection in kWh/Day determined as the Maximum Storage Space divided by the total filling period.

5.1.4 For the purposes of paragraph 5.1.3(d) and (e), the "**total filling period**" is the period in Days specified by BG Storage in the Annual Storage Invitation as the period which would be required to inject a quantity of gas equal to the Total Storage Space at the facility's maximum rate of injection in kWh/Day determined by BG Storage.

5.2 Injection Period

5.2.1 For each BGS LNG Facility the "**Injection Period**" in respect of a Storage Year is the period from 1st May to 31st October, excluding any Days which are not Programmed Injection Days, as extended in accordance with paragraph 5.2.2.

5.2.2 Subject to paragraph 5.2.4, where:

(a) in relation to any Day or Days, BG Storage gives a cancellation notice in respect of a BGS LNG Facility in accordance with paragraph 5.7.1, and

(b) the aggregate of all Users' unfilled Storage Space on that Day exceeds the amount determined by multiplying the Facility Injection Rate by the number of Programmed Injection Days remaining after that Day (or the first of those Days) in the Injection Period

the Injection Period will be extended by the number of Days specified in the cancellation notice.

5.2.3 BG Storage will not be required to extend the Injection Period in respect of any BGS LNG Facility other than in accordance with paragraph 5.2.2 (notwithstanding any reduction in injection quantities under paragraph 5.4).

5.2.4 The Injection Period will not in any event be extended beyond such date in any Storage Year as BG Storage shall (where the Injection Period would otherwise be so extended) reasonably determine and notify to Users as the date with effect from which rights to inject gas to a BGS LNG Facility, other than pursuant to paragraph 5.9, would be likely materially to conflict with Users' rights to withdraw gas from such facility or to constitute a potential risk to System security.

5.2.5 References in this paragraph 5 to a month are to a month in the Injection Period in respect of a BGS LNG Facility, and include a shorter period starting on the first Day of a month and ending at the end of the Injection Period.

5.3 Provisional Injection Programme

- 5.3.1 For each User the "**Provisional Injection Programme**" in respect of a BGS LNG Facility is an injection programme:
- (a) initially established under paragraph 5.3.3, for the Injection Period (or a shorter period entirely within the Injection Period) and for a quantity of gas not exceeding the User's unfilled Available Storage Space; and
 - (b) thereafter from time to time revised in accordance with paragraph 5.5, for the balance of such period.
- 5.3.2 The Provisional Injection Programme will be used by BG Storage in establishing Confirmed Injection Programmes in accordance with paragraph 5.4, but is not binding on BG Storage or the User (and in particular may contemplate injection at a rate exceeding the User Injection Rate or of quantities exceeding the User's Storage Space).
- 5.3.3 The Provisional Injection Programme will be:
- (a) where the User submitted a proposed Provisional Injection Programme in accordance with paragraph 3.2.2, the programme submitted by the User, subject to paragraph 5.3.4;
 - (b) otherwise a programme determined by BG Storage allowing for gas to be injected equal to the User's Registered Storage Space, after taking account (where relevant) of the User's estimated Opening Storage Balance notified under paragraph 3.2.1(f), on the basis of injecting an equal quantity of gas on every Programmed Injection Day in the Injection Period or (as the case may be) the period determined under paragraph 5.3.5(a).
- 5.3.4 For the purposes of paragraph 5.3.3(a), where the User applied for Storage Space pursuant to the Annual Storage Invitation and (in accordance with paragraph 3) not all the Storage Space applied for by the User was allocated to it, the Provisional Injection Programme shall be established by reducing the quantity proposed by the User for each Programmed Injection Day in the proportion which the Storage Space allocated to the User bears to the Storage Space applied for by it.
- 5.3.5 Where a User is registered as holding Storage Capacity under paragraph 3.7:
- (a) the Provisional Injection Programme will be for the period starting on the first Day of the month following the relevant month in accordance with paragraph 5.3.6;
 - (b) the User will be deemed to have a Confirmed Injection Quantity of zero for every Programmed Injection Day until the first Day of the Provisional

Injection Programme, and may request changes to such quantity in accordance with paragraph 5.6.

5.3.6 For the purposes of paragraph 5.3.5(a) the relevant month is:

- (a) where the User's application is made on a Day between the 1st and 13th Day of a month, the month in which the User's application is made;
- (b) otherwise, the month following the month in which the User's application is made.

5.3.7 BG Storage will notify to Users their Provisional Injection Programmes for each BGS LNG Facility:

- (a) in respect of Storage Space applied for and allocated under paragraph 3.1, not later than 29th April of the Preceding Storage Year;
- (b) in respect of Storage Space applied for under paragraph 3.7, when notifying the User that its application is approved.

5.4 Confirmed Injection Programme

5.4.1 For each User a "**Confirmed Injection Programme**" in respect of a BGS LNG Facility is an injection programme for a month ("**confirmed injection month**") in the Injection Period, established in accordance with this paragraph 5.4.

5.4.2 Each User may, not later than the 13th Day of the month ("**preceding month**") preceding each confirmed injection month, notify to BG Storage a requested change in respect of the confirmed injection month to the Provisional Injection Programme.

5.4.3 The User's notification shall specify the identity of the User, the BGS LNG Facility, the confirmed injection month, and the injection quantity requested for each Programmed Injection Day of the confirmed injection month.

5.4.4 A User's "**Requested Injection Quantity**" for a Programmed Injection Day in the confirmed injection month shall be the quantity specified for that Day in the prevailing Provisional Injection Programme as amended by any requested change notified under paragraph 5.4.2.

5.4.5 Where (following any changes requested under paragraph 5.4.2) for any Programmed Injection Day in the confirmed injection month the aggregate of all Users' Requested Injection Quantities in respect of a BGS LNG Facility exceeds the Facility Injection Rate:

- (a) BG Storage will notify the Users that Requested Injection Quantities are constrained;
- (b) Users may volunteer to reduce (by notice to BG Storage) their Requested Injection Quantities so as to avoid such constraint;
- (c) where by the 2nd Business Day (the "**programme revision date**") before the 20th Day of the preceding month, voluntary reductions have not been made sufficient to avoid such constraint, the Requested Injection Quantities will be modified in accordance with paragraph 5.4.6.

5.4.6 For each User a revised injection quantity shall be determined such that each of the following conditions is satisfied:

- (a) the aggregate of the revised injection quantities of all Users (taking account of any voluntary reductions notified under paragraph 5.4.5(b)) is equal to the Facility Injection Rate;
- (b) no User has a revised injection quantity greater than its Requested Injection Quantity (as reduced by any such voluntary reduction);
- (c) the revised injection quantities of Users whose revised injection quantities are not greater than their respective Requested Injection Quantities (as reduced by any such voluntary reductions) are in the same proportions as their respective User Injection Rates (determined as of the 13th Day of the preceding month).

5.4.7 The "**Confirmed Injection Quantity**" for each User for each Programmed Injection Day in the confirmed injection month shall be the Requested Injection Quantity as modified by a voluntary reduction under paragraph 5.4.5(b) and/or revised under paragraph 5.4.6, subject to any later modification by any confirmed request under paragraph 5.6.

5.4.8 Not later than the 20th Day of the preceding month BG Storage will provide to each User the Confirmed Injection Programme, specifying the Confirmed Injection Quantity for each Programmed Injection Day of the confirmed injection month.

5.5 Revision of Provisional Injection Programme

A User may, at any time after the Confirmed Injection Programme in respect of a confirmed injection month was issued but before the last Day of the preceding month, revise its Provisional Injection Programme by notice to BG Storage specifying injection quantities for Programmed Injection Days in the Injection Period starting with the month following the confirmed injection month.

5.6 Changes to Confirmed Injection Programme

- 5.6.1 A User may, by notice to BG Storage submitted not later than 15:30 hours on the Day before the Preceding Day, request a change in its Confirmed Injection Quantity for the Gas Flow Day.
- 5.6.2 Where a User requests a change pursuant to paragraph 5.6.1 and an Injection Scheduling Charge will be payable by the User in respect of the requested change in accordance with paragraph 5.6.6:
- (a) BG Storage will, not later than 12 hours after the User's notice under paragraph 5.6.1, notify the User of the Storage Scheduling Charge;
 - (b) the User may then, not later than 2 hours after BG Storage's notice under paragraph (a), confirm its request (which shall not be effective unless so confirmed).
- 5.6.3 Where the User's request is for an increase in the injection quantity for a Day and there is any Available Injection Quantity for the Day, the User's injection quantity for the Day shall be increased by whichever is the lesser of the amount requested and the Available Injection Quantity.
- 5.6.4 Where the User's request is for a decrease in the injection quantity for a Day, the injection quantity for the Day shall be reduced by the amount requested.
- 5.6.5 For the purposes of paragraph 5.6.3 an "**Available Injection Quantity**" for a Day is the lesser of:
- (a) the amount (if any) by which the aggregate of:
 - (i) all Users' Confirmed Injection Quantities for that Day, adjusted by any other request under this paragraph 5.6 which was submitted (other than a request for a reduction which was not confirmed under paragraph 5.6.2(b), where applicable) before the User's request, and
 - (ii) any quantities to be injected on that Day by a User holding Special Storage Capacityis less than the Facility Injection Rate; and
 - (b) the amount by which the Maximum Storage Space exceeds all Users' gas-in-storage (including uncovered gas-in-storage permitted under paragraph 3.6.2).

5.6.6 Where a User confirms a request to change a Confirmed Injection Quantity under paragraph 5.6.2(b), the User shall pay any Storage Scheduling Charge and any Storage Management Charge which may be payable in accordance with paragraphs 7.2 and 7.3.

5.7 Cancelled Injection and Interruption

5.7.1 Where it is planned or known before the Storage Nomination Time that (by reason of failure, repair or maintenance of such facilities, whether or not resulting from Force Majeure) the injection facilities at a BGS LNG Facility will not be in operation for any reason on one or more Programmed Injection Days:

- (a) BG Storage may notify Users that injection to that facility for that Day or Days is cancelled, by notice ("**cancellation notice**") given not later than the Storage Nomination Time and specifying such Day(s);
- (b) where cancellation notice is given, the relevant Day(s) will cease to be a Programmed Injection Day(s) for that facility and the Confirmed Injection Quantities for such Day(s) will be cancelled.

5.7.2 Where:

- (a) in the circumstances in paragraph 5.7.1 BG Storage does not give cancellation notice for a Day, or
- (b) the injection facilities at a BGS LNG Facility become non-operational after the Storage Nomination Time;

the Confirmed Injection Quantities will not be affected and Storage Injection Nominations will be made under paragraph 5.8 accordingly.

5.7.3 In respect of a BGS LNG Facility, where Transco notified BG Storage that it requires the interruption of the offtake of gas at a Storage Connection Point pursuant to Section R3.2, BG Storage may in respect of the Day in relation to which Transco so notified BG Storage cancel injection or reduce the quantities injected by Users to such facility for the purposes of avoiding or limiting a Transportation Constraint which Transco anticipates would otherwise arise.

5.7.4 Where BG Storage cancels injection or reduces injection quantities under paragraph 5.7.3 BG Storage will revise on behalf of Users their Storage Injection Nominations and notify such revised Nomination Quantities as soon as reasonably practicable after the requirement for interruption was known.

5.7.5 Where in respect of a BGS Storage LNG Facility BG Storage is in receipt of a notice from Transco pursuant to Section R3.2 in respect of the interruption of the offtake of gas at the Storage Connection Point, BG Storage will indemnify the User and hold it

harmless against any charges payable by the User to Transco pursuant to Section G6 in respect of the failure by the User to interrupt the offtake of gas at the relevant Storage Connection Point.

5.8 Injection Nominations

- 5.8.1 Storage Injection Nominations will be made (and will be deemed to have been made in accordance with the requirements of Section C) by BG Storage on behalf of Users; and (for Days in the Injection Period) the Nomination Quantities will, subject to paragraph 5.7, be the relevant Confirmed Injection Quantities for the Day (following any adjustments in accordance with paragraph 5.6).
- 5.8.2 Users shall not on their own behalf submit Storage Injection Nominations or Renominations thereof; and any such Nomination purportedly submitted by a User will be disregarded.
- 5.8.3 Each User authorises BG Storage to make Storage Injection Nominations in accordance with paragraph 5.8.1, irrespective of whether the User has unfilled Available Storage Space and of any Storage Overrun Charge or Storage Management Charge for which the User may become liable in consequence of such Nominations.
- 5.8.4 In accordance with paragraph 1.2.2, the quantity injected by a User on a Day will be the Nominated Quantity under the User's Storage Injection Nomination.

5.9 Injection outside Injection Period

- 5.9.1 Subject to paragraph 5.9.5, a User who holds unfilled Storage Space in a BGS LNG Facility may make an injection (a "**late injection**") of gas into the facility on a Day after the end of the Injection Period (in the relevant Storage Year) in the circumstances in paragraph 5.9.3.
- 5.9.2 A User who wishes to make a late injection on a Day shall notify BG Storage not less than 24 hours before the Storage Nomination Time specifying the BGS LNG Facility and the quantity of gas to be injected, which notification may not be withdrawn or amended.
- 5.9.3 The circumstances in which a late injection may take place are:
- (a) where other Users are withdrawing gas from the relevant BGS LNG Facility in quantities in aggregate exceeding the late injection quantity, or
 - (b) where no User is withdrawing gas from the facility, the facility is not being held ready to allow such withdrawals and the injection facilities are not in course of maintenance or other works and are otherwise capable of being put in operation for the Day and Transco has not notified BG Storage of any

Transportation Constraint which Transco anticipates would arise if such injection were to take place.

- 5.9.4 BG Storage will make available details of the LNG Facilities in respect of which the circumstances under paragraph 5.9.3 are from time to time satisfied.
- 5.9.5 BG Storage may at any time (before or within the Gas Flow Day) by giving not less than 60 minutes notice to the User cancel or discontinue or reduce the rate of any late injection where or to the extent that the circumstances in paragraph 5.9.3 cease or have ceased to be satisfied.
- 5.9.6 The Storage Injection Nomination (including any Renomination) for a late injection will be made by BG Storage on behalf of the relevant User in accordance with paragraph 5.8.
- 5.9.7 The restrictions under this paragraph 5.9 applying to late injections do not apply to the Top-up Manager or Transco for Operating Margins Purposes.

5.10 Injection following Emergency

Following a Gas Supply Emergency BG Storage will cooperate with Users with a view to enabling Users to inject quantities into LNG Facilities (notwithstanding such injection may conflict with any requirements under this Section Z) to replace gas withdrawn from LNG Facilities during the Gas Supply Emergency.

5.11 Injection Charges

- 5.11.1 Users shall pay charges ("**Storage Injection Charges**") in respect of quantities injected to each BGS LNG Facility at the rate (in pence per kWh) specified in the Annual Storage Invitation in respect of such facility for the month in which such quantities were injected.
- 5.11.2 Storage Injection Charges will be invoiced and are payable monthly in accordance with paragraph 8.

6. WITHDRAWALS

6.1 Entitlement to withdraw

- 6.1.1 Subject to paragraph 6.1.4, a User may withdraw gas from a BGS LNG Facility on any Day (including a Day on which gas is being injected into the facility) during the Storage Year.
- 6.1.2 The User may not withdraw:
 - (a) a quantity of gas on a Day which exceeds the User's gas-in-storage;

- (b) gas at a rate in excess of its available withdrawal rate.
- 6.1.3 For the purposes of enabling Users to make Storage Withdrawal Nominations BG Storage will provide to Users the calorific value from time to time of gas which may be withdrawn from each BGS LNG Facility.
- 6.1.4 Subject to paragraph 6.1.6, Users may not withdraw gas from a BGS LNG Facility on a Withdrawal Maintenance Day.
- 6.1.5 For the purposes of paragraph 6.1.4, in relation to a BGS LNG Facility:
- (a) a "**Withdrawal Maintenance Day**" is a Day in the period from 1st May to 30th September in any Storage Year on which the withdrawal facilities of the BGS LNG Facility are withdrawn from service for maintenance;
 - (b) the number of Withdrawal Maintenance Days shall not exceed what is reasonably required for the purposes of the relevant maintenance, and in any event shall not exceed 28 Days in any Storage Year or 70 Days in any three consecutive Storage Years;
 - (c) the Withdrawal Maintenance Days shall be specified in the Annual Storage Invitation, provided that BG Storage may revise (but without prejudice to paragraph (b)) the Days which are Withdrawal Maintenance Days in any month by notice to relevant Users given not later than the Day before the last Day on which Users may (pursuant to paragraph 5.4.2) notify requested changes in their Provisional Injection Programmes for that month.
- 6.1.6 Users may withdraw gas from a BGS LNG Facility on a Withdrawal Maintenance Day to the extent that the Nomination Quantities under the Storage Withdrawal Nominations do not exceed the Nomination Quantities under Storage Injection Nominations for the Day in respect of the same facility; and where required the Nomination Quantities under such Storage Withdrawal Nominations will be reduced pro-rata, and BG Storage will inform relevant Users of the extent of such a pro-rata reduction as soon as practicable.

6.2 Renominations and Flexibility Nominations

- 6.2.1 Subject to the further provisions of this paragraph 6.2 and Section R4, a User may make a Renomination in respect of a Storage Withdrawal Nomination, and shall (upon acceptance of a Flexibility Bid for a System Entry Buy at the relevant Storage Connection Point) be deemed to make a Storage Withdrawal Nomination as a Flexibility Nomination in respect of the relevant Storage Connection Point, in accordance with Sections C and D.

- 6.2.2 Where a User makes a Renomination of a Storage Withdrawal Nomination or is deemed to have made a Storage Withdrawal Nomination on acceptance of a Flexibility Bid (such a Renomination or Nomination a "**relevant Nomination**") the implied withdrawal rate shall not exceed the available withdrawal rate and shall not be less than zero.
- 6.2.3 Where a User makes a relevant Nomination in respect of which the implied withdrawal rate is greater than the available withdrawal rate, the User shall pay:
- (a) a Storage Overrun Charge in accordance with paragraph 7.1, for the purposes of which the "**Withdrawal Overrun**" shall be the amount calculated as the difference between the implied withdrawal rate and the available withdrawal rate, multiplied by the relevant period; and
 - (b) any Storage Management Charge which may be payable in accordance with paragraph 7.3.
- 6.2.4 Where a User makes a relevant Nomination in respect of which the implied withdrawal rate is less than zero, BG Storage may (but shall not be required to) reject the relevant Nomination; and where BG Storage does not reject the relevant Nomination the User shall pay a Storage Management Charge in accordance with paragraph 7.3.
- 6.2.5 For the purposes of this paragraph 6.2, in relation to a relevant Nomination:
- (a) the "**available withdrawal rate**" is the rate (in kWh/hour) determined as the sum of:
 - (i) the Available Storage Deliverability divided by 24; and
 - (ii) where the User is a party to an arrangement for Special Storage Capacity, the lesser of:
 - (1) the maximum permissible Nomination Quantity thereunder divided by 24;
 - (2) following any reduction to the Nomination Quantity, the Users reduced Nomination Quantity divided by the period (in hours) from the time which the revision takes effect until the end of the Gas Flow Day.
 - (b) the "**implied withdrawal rate**" is the prevailing withdrawal rate plus (in the case of an increase in Nomination Quantity or a System Entry Buy) or minus (in the case of a decrease in Nomination Quantity or a System Entry Sell) the incremental withdrawal rate;

- (c) the "**prevailing withdrawal rate**" is:
- (i) where no earlier such Renomination or Flexibility Nomination has been made, the rate (in kWh/hour) determined as the Nomination Quantity under the User's Storage Withdrawal Nomination divided by 24 (or where the User had made no Storage Withdrawal Nomination, zero);
 - (ii) in any other case, the implied withdrawal rate, determined in accordance with this paragraph 6.2.5, prevailing immediately before the relevant Nomination;
- (d) the "**incremental withdrawal rate**" is the rate (in kWh/hour) determined as the amount of the increase or decrease in Nomination Quantity or as the case may be the amount of the Flexibility Quantity under the relevant Nomination divided by the relevant period;
- (e) the "**relevant period**" is the period in hours calculated from the time when the relevant Nomination becomes effective, and continues until either (i) the time when a further relevant Nomination becomes effective, or (ii) the end of the Gas Flow Day, whichever shall occur first and for the purposes of calculating the relevant period, a relevant Nomination shall become effective at the time the nomination is made or the Flexibility Bid is accepted plus the withdrawal lead time prevailing at such time or (in the case of the a Flexibility Bid for System Entry Buy) the flexibility lead time if longer.

6.2.6 In respect of any BGS LNG Facility the "**withdrawal lead time**", as at any time after the Storage Nomination Time, is the period of notice required (by reference to the prevailing operational status of the facility at such time) before BG Storage can give effect to an increase or (as the case may be) a decrease in the rate of withdrawal of gas from the facility on the Gas Flow Day.

6.2.7 With effect from the Storage Nomination Time BG Storage will make available to Users the prevailing withdrawal lead times (for an increase and for a decrease) for the Gas Flow Day in respect of each BGS LNG Facility.

6.3 **Quantity withdrawn**

In accordance with paragraph 1.2.2, but subject to paragraph 1.5, BG Storage shall secure that the quantity of gas withdrawn by the User will be the Nominated Quantity under the User's Storage Withdrawal Nomination.

6.4 **Mandatory Withdrawals**

6.4.1 Subject to paragraphs 6.4.3 and 6.4.6, where on any Day a User becomes liable to pay a Storage Overrun Charge in accordance with paragraph 7.1.1, the User shall be

deemed to have made a Storage Withdrawal Nomination (and accordingly shall withdraw gas), for each of the 5 consecutive Days (Days 1 to 5) following such Day, for a Nomination Quantity determined as $1/n$ times the amount of the User's Excess Gas-in-Storage.

6.4.2 For the purposes of paragraph 6.4.1:

- (a) 'n' is 5 for Day 1, 4 for Day 2, 3 for Day 3, 2 for Day 4 and 1 for Day 5;
- (b) the User's "**Excess Gas in Storage**" on any of Days 1 to 5 is the amount by which the User's gas-in-storage, less the Permitted Uncovered Amount (under paragraph 3.6.2), exceeds its Available Storage Space, on that Day.

6.4.3 If the User makes a Storage Withdrawal Nomination for any of Days 1 to 5 for a Nomination Quantity greater than that required under paragraph 6.4.1, the User's Nomination shall prevail over the deemed Nomination under paragraph 6.4.1.

6.4.4 The User may not make a Renomination pursuant to which the Nomination Quantity for any of Days 1 to 5 would be less than that required under paragraph 6.4.1.

6.4.5 The Storage Withdrawal Nomination deemed made under paragraph 6.4.1 shall be given effect irrespective of the User's Available Storage Deliverability, and the User shall be liable for any Storage Overrun Charge and any Storage Management Charge which may be payable in consequence thereof (as well as for Storage Withdrawal Charges).

6.4.6 Where the Total Storage Deliverability is insufficient to give effect on any Day to the Storage Withdrawal Nomination pursuant to paragraph 6.4.1 as well as all other withdrawals from the relevant BGS LNG Facility, the Storage Withdrawal Nomination shall be made only for such quantity for which the Total Storage Deliverability is so sufficient; and further Storage Withdrawal Nomination(s) shall be deemed to be made for the balance of the quantity required to be withdrawn by the User on the next Day(s) on which it is possible for a quantity to be withdrawn.

6.5 Withdrawal Charges

6.5.1 Users shall pay charges ("**Storage Withdrawal Charges**") in respect of quantities withdrawn from each BGS LNG Facility at the rate (in pence per kWh) specified in the Annual Storage Invitation in respect of such facility for the month in which such quantities were withdrawn.

6.5.2 Storage Withdrawal Charges will be invoiced and are payable monthly in accordance with paragraph 8.

6.6 BG Storage failure

6.6.1 Subject to paragraphs 1.5 and 6.6.4, where for any Day:

- (a) a User makes in respect of a BGS LNG Facility a Storage Withdrawal Nomination which complies with the requirements of this Section Z, and
- (b) BG Storage fails to ensure that the quantity of gas withdrawn by the User is equal to the Nominated Quantity (and is accordingly in breach of paragraph 6.3),

BG Storage will pay to the User an amount calculated in accordance with paragraph 6.6.2.

6.6.2 The amount payable by BG Storage shall be determined as:

$$C * (N - A)/5$$

where:

C is the Applicable Storage Deliverability Charge Rate;

N is the amount of the Nominated Quantity under the User's Storage Withdrawal Nomination (but for the avoidance of doubt not exceeding the User's Available Storage Deliverability) for the Day;

A is the quantity of gas which is withdrawn by the User on the Day.

6.6.3 Upon any failure of the withdrawal facilities of a BGS LNG Facility:

- (a) BG Storage will (promptly upon such failure occurring) inform each relevant User of such failure, and of the approximate quantities already withdrawn by the User, and the estimated impact of such failure upon the quantities to be withdrawn by the User, on the Day of the failure (but no such notification shall prejudice the question whether such failure is Force Majeure);
- (b) subject to Section R4.2.5, each such User may elect, by making a Renomination of its Storage Withdrawal Renomination, to continue to withdraw such quantities as are available for withdrawal by the User or to discontinue further withdrawal on the Day.

6.6.4 Where BG Storage wilfully or recklessly fails to operate (where otherwise capable of operation) the withdrawal facilities of a BGS LNG Facility, the quantity of gas withdrawn by a User such facility shall, notwithstanding such failure, be equal to the Nominated Quantity (and accordingly paragraph 6.6.1 shall not apply).

6.7 Emergencies

On any Day during a Gas Supply Emergency BG Storage may take steps to increase the flow rates at a BGS LNG Facility in order to comply with Transco's instructions pursuant to Section Q3.3.3 notwithstanding the Users Nominations in respect of such Day, and where BG Storage takes such steps the aggregate quantity withdrawn on such Day will be apportioned between Users in the proportions in which they have gas-in-storage on such Day.

7. STORAGE OVERRUN, SCHEDULING AND MANAGEMENT CHARGES

7.1 Storage Overrun Charges

7.1.1 Where on any Day ("**storage overrun day**") as a result of a Storage Transfer and/or the submission of a Storage Nomination in respect of a BGS LNG Facility:

- (a) the amount of a User's gas-in-storage, excluding uncovered gas-in-storage in the Permitted Uncovered Amount, exceeds the User's Available Storage Space, and/or
- (b) the quantity of gas withdrawn by a User exceeds the User's gas-in-storage, and/or
- (c) the Transferred Gas-in-Storage under a Storage Gas Transfer for which the User is Transferor Storage User exceeds the User's gas-in-storage, and/or
- (d) in respect of a Storage Withdrawal Nomination, the implied withdrawal rate exceeds the available withdrawal rate;

the User shall pay a charge ("**Storage Overrun Charge**") to BG Storage determined in accordance with paragraph 7.1.2.

7.1.2 The Storage Overrun Charge shall be calculated:

- (a) for the purposes of paragraph 7.1.1(a), in respect of the amount by which the User's gas-in-storage exceeds the User's Available Storage Space, at a rate of 110% of the Applicable Storage Space Charge Rate;
- (b) for the purposes of paragraphs 7.1.1(b) and (c), in respect of the overrun quantity (in accordance with paragraph 7.1.4), at a rate of 110% of the System Marginal Buy Price for the storage overrun day;
- (c) for the purposes of 7.1.1(d):

- (i) where the overrun occurs during the Winter Period, at a rate equal to the greater of 150% of the System Marginal Buy Price for the storage overrun day in question or 0.5 pence per KWh;
- (ii) where (i) does not apply, at a rate equal to the greater of 130% of the System Marginal Buy Price for the storage overrun day in question or 0.5 pence per KWh.

7.1.3 Storage Overrun Charges will be invoiced and are payable monthly in accordance with paragraph 8.

7.1.4 In the cases in paragraphs 7.1.1(b) and (c):

- (a) BG Storage will purchase gas to replace for the account of the User the overrun quantity which will be extinguished with effect from the storage overrun day (accordingly the User's gas-in-storage will not become negative);
- (b) the "**overrun quantity**" is the quantity of gas determined as the amount by which (for the purposes of paragraph 7.1.1(b)) the quantity of gas withdrawn by the User on the Day, or (for the purposes of paragraph 7.1.1(c)) the Transferred Gas-in-Storage, exceeds the User's gas-in-storage on the Day.

7.1.5 Where the Annual Storage Invitation was made under paragraph 3.1.2(b), references in this paragraph 7.1 to the Applicable Storage Space Charge Rate and Applicable Storage Deliverability Charge Rate are to the late booking rates pursuant to paragraph 3.7.8.

7.1.6 Where pursuant to Section R4.6.8 BG Storage makes an Output Nomination (as User) in respect of a Storage Connection Point (for injection into a BGS LNG Facility);

- (a) such injection quantity will be treated as injected by the relevant User into the BGS LNG Facility (but will not be treated as being offtaken from the System by the User) on the Day in respect of which BG Storage makes such Output Nomination;
- (b) the relevant User shall pay BG Storage an amount calculated as 110% of the System Marginal Buy Price for the relevant Day multiplied by the relevant quantity.

7.2 Injection Scheduling Charge

7.2.1 Subject to paragraph 7.2.4, where a User confirms a request (in accordance with paragraph 5.6.6) for a reduction in its Confirmed Injection Quantity for any Day, the User shall pay a charge ("**Storage Scheduling Charge**") established in accordance with paragraph 7.2.2.

7.2.2 The amount of the Storage Scheduling Charge shall be ascertained from the Annual Storage Invitation, which will specify the basis for calculating such charges, by reference to:

- (a) the aggregate quantity expected (immediately before the occurrence under paragraph 7.2.1, and on the basis of the User's and all other User's Confirmed Injection Quantities) to be injected on the Day at the BGS LNG Facility, and
- (b) the amount by which the aggregate quantity to be injected on the Day is reduced as a result of the occurrence under paragraph 7.2.1.

7.2.3 The Storage Scheduling Charges will be invoiced and are payable monthly in accordance with paragraph 8.

7.2.4 Where the Annual Storage Invitation does not specify the basis for Storage Scheduling Charges, no such charge shall be payable in the relevant Storage Year.

7.3 Storage Management Charges

7.3.1 Where:

- (a) an event has occurred or circumstances arisen in respect of which any provision of this Section Z requires a User to pay a Storage Management Charge, and
- (b) in consequence of such event or circumstance BG Storage incurs any relevant loss (in accordance with paragraph 7.3.2) in doing anything with a view to:
 - (i) complying with its obligations to Users under this Section Z,
 - (ii) ensuring the safe and proper operation of the BGS LNG Facilities, or
 - (iii) avoiding a greater relevant loss,

the User shall pay to BG Storage an amount equal to the amount of the relevant loss so incurred.

7.3.2 For the purposes of this paragraph 7.3, a "**relevant loss**" is any Balancing Charge or increase in a Balancing Charge payable by, or reduction in a Balancing Charge payable to, BG Storage.

7.3.3 BG Storage will (at the time the Storage Management Charge is invoiced under paragraph 7.3.5) certify the amount of any relevant loss and provide to the User reasonable details (excluding any information which is commercially sensitive in relation to BG Storage or any other User) of the circumstances in which the relevant

loss was incurred in consequence of the event or circumstance referred to in paragraph 7.3.1(a) and the determination of the amount of the relevant loss.

7.3.4 Where a relevant loss is incurred in circumstances in which more than one User is liable to pay a Storage Management Charge, the amount payable by each User will be determined by BG Storage having regard (so far as practicable) to the extent to which each User contributed to the relevant loss, and otherwise on such basis as BG Storage shall determine to be reasonable.

7.3.5 The amount referred to in paragraph 7.3.1 shall be a "**Storage Management Charge**" and shall be invoiced and are payable monthly in accordance with paragraph 8.

8. INVOICING AND PAYMENT

8.1 The amounts payable by the User to BG Storage and by BG Storage to the User in accordance with this Section Z will be invoiced and payable in accordance with this paragraph 8 (and for the avoidance of doubt Section S shall not apply) and for the purposes of this paragraph 8:

- (a) a "**Storage Invoice Period**" is a calendar month;
- (b) a "**Storage Invoice**" is an invoice submitted by BG Storage to a User in accordance with this paragraph 8;
- (c) a "**Storage Invoice Item**" is an item (in respect of all charges of a particular kind) shown as payable by BG Storage or by a User in an Storage Invoice (including where relevant a Storage Self Bill Amount) including interest payable in accordance with this paragraph 8;
- (d) a "**Storage Invoice Amount**" is in relation to a Storage Invoice Item, the amount payable by the User or BG Storage under the relevant Storage Invoice

8.2 Each Storage Invoice submitted by BG Storage will specify:

- (a) the identity of the User;
- (b) the Storage Invoice Period;
- (c) in respect of each Storage Invoice Item, the Storage Invoice Amount;
- (d) a unique reference number; and

- (e) the amount of Value Added Tax (if any) payable in respect of each Storage Invoice Item and the further details required under regulation 14 of the regulations referred to paragraph 8.3

and shall be accompanied by all reasonably necessary supporting data and information.

- 8.3 A Storage Invoice may show as an Storage Invoice Amount an amount (a "**Storage Self Bill Amount**") payable by BG Storage to the User in respect of which Regulation 13(3) of the Value Added Tax Regulations 1995 is to apply.
- 8.4 A Storage Invoice may contain an adjustment by way of a credit ("**Storage Invoice Credit**") in respect of a Storage Invoice Amount in another Storage Invoice (and where a Storage Invoice contains a Storage Invoice Credit it will identify the amount of the Storage Invoice Credit and the Storage Invoice to which the Storage Invoice Credit relates).
- 8.5 The User may elect, by notice in writing to BG Storage to receive Storage Invoices by post or by such electronic means as the User and BG Storage agree will be available for the submission of Storage Invoices, and BG Storage will submit Storage Invoices by post or (as the case may be) by such electronic means.
- 8.6 BG Storage will submit a Storage Invoice in respect of each Storage Invoice Period by the Storage Invoice Submission Date (provided that no delay in submitting a Storage Invoice will prejudice the liability of the User or BG Storage for the amounts in relation thereto).
- 8.7 The date on which BG Storage shall submit a Storage Invoice ("**Storage Invoice Submission Date**") shall be the 7th Business Day of the month following the Storage Invoice Period.
- 8.8 Notwithstanding paragraph 8.6, BG Storage may at any time after submitting a Storage Termination Notice (in accordance with paragraph 10) submit a Storage Invoice in respect a Storage Invoice Period or part of a Storage Invoice Period ending at or before the time at which BG Storage submits such Storage Invoice, and where BG Storage has submitted a Storage Termination Notice to the User, all amounts payable by the User to BG Storage or BG Storage to the User (whether the Storage Invoice in which such amounts are shown was submitted before or after the date of the Storage Termination Notice) shall be immediately payable notwithstanding paragraph 8.10.
- 8.9 All amounts expressed as payable under this Section Z are exclusive of any applicable Value Added Tax and Value Added Tax shall be paid by the paying party where payable in respect of any such amount.

- 8.10 The "**Storage Invoice Due Date**" in respect of a Storage Invoice is the day ending at 24:00 hours on whichever was the later of:
- (a) the 12th Day after the Storage Invoice was deemed to be received in accordance with Section V11;
 - (b) the 20th Day after the last Day of the Storage Invoice Period to which the Storage Invoice relates.
- 8.11 The account name, number, name, address and sort code of the bank in the United Kingdom to which payments by the User to BG Storage or by BG Storage to the User shall be those advised by the User and BG Storage pursuant to Section S3.2 provided that the User and BG Storage shall advise the other of any changes in such details for the purposes of this Section Z not less than 30 Days before such change occurs.
- 8.12 Payments of amounts payable under this Section Z shall be in pounds sterling (and not in euro) in same day funds to the account of the payee at a bank in the United Kingdom notified to the payer under paragraph 8.11 and the payer shall instruct the bank remitting payment of any amount payable under this Agreement to quote the number (under paragraph 8.2(d)) of the relevant Storage Invoice when remitting such payment.
- 8.13 Without prejudice to paragraph 8.20, amounts payable pursuant to this Section Z shall be paid:
- (a) free and clear of any restriction, reservation or condition; and
 - (b) except to the extent (if any) required by law, without deduction or withholding in respect of tax or on account of any amount due or to become due to the paying party, whether by set-off, counterclaim or otherwise; and
 - (c) where payment is to be made by the User and any deduction or withholding is required to be made by the law of any country other than the United Kingdom:
 - (i) such that the deduction or withholding does not exceed the minimum required;
 - (ii) and the User shall pay BG Storage such additional amounts as will ensure that the net amount received by BG Storage will be equal to the amount which BG Storage would have received had no such deduction or withholding been made;
 - (iii) and the User shall pay the amount deducted or withheld to the relevant authority in accordance with the relevant requirement of the law, and provide to BG Storage a receipt issued by such authority (or

where such a receipt is not available) a certificate in respect of such payment.

- 8.14 Without prejudice to paragraph 8.24, where any amount payable under a Storage Invoice is not paid on or before the Storage Invoice Due Date, the paying party shall pay interest, before and after judgment, at the Applicable Interest Rate, on the unpaid amount from the Storage Invoice Due Date until the Day on which the payment is made (and nothing in this paragraph 8.14 shall be construed as permitting late payment of a Storage Invoice Amount).
- 8.15 Interest payable under this paragraph 8 shall:
- (a) accrue on a daily basis and on the basis of a 365 day year; and
 - (b) be compounded to the extent and by virtue of being invoiced (not more frequently than each calendar month) in a Storage Invoice.
- 8.16 The "**Applicable Interest Rate**" is the rate of interest, expressed as a percentage rate per annum, payable in respect of amounts overdue for payment, or the subject of repayment, under this Agreement, and shall be the base rate for the time being of Barclays Bank plc plus:
- (a) except as provided in (b), three (3) percentage points per annum;
 - (b) for the purposes only of paragraphs 8.23 and 8.25, one (1) percentage point per annum.
- 8.17 For the purposes of this paragraph 8 a "**Storage Invoice Query**" is any question or dispute as to the proper calculation of any amount shown as payable by the User or BG Storage under a Storage Invoice or as to whether any such amount was or is properly payable and references to the amount of a Storage Invoice Query are to the amount by which the User considers the Storage Invoice Amount to be incorrect.
- 8.18 BG Storage and the User will endeavour to resolve Storage Invoice Queries by agreement (and references in this paragraph 8 to the resolution of a Storage Invoice Query is a reference to the resolution thereof by agreement between BG Storage and the User or to the outcome of any proceedings commenced by BG Storage or the User in respect thereof).
- 8.19 Where the User wishes to raise a Storage Invoice Query in respect of any amount shown as payable by the User under a Storage Invoice, the User may by not later than the Day before the Storage Invoice Due Date notify BG Storage of the Storage Invoice Query; specifying:
- (a) the number of the Storage Invoice;

- (b) the Storage Invoice Item to which the Storage Invoice Query relates;
 - (c) an explanation of the basis on which the Storage Invoice Query arises, and the amount of the Storage Invoice Amount which is subject to the Storage Invoice Query:
 - (i) identified by reference to the particular item of supporting data in respect of which the Storage Invoice Query arises;
 - (ii) where the basis of the Storage Invoice Query is that the value of any parameter by reference to which the Storage Invoice is determined is incorrectly stated in the supporting data, the amount (estimated as accurately as reasonably practicable) by which such value is incorrectly stated;
 - (d) the amount of the Storage Invoice Amount which is not subject to the Storage Invoice Query determined on the basis that only so much of the Storage Invoice Amount as identified in (c) is subject to the Storage Invoice Query.
- 8.20 Where the User raises a Storage Invoice Query in accordance with the requirements of paragraph 8.19 (but not otherwise) the amount subject to the Storage Invoice Query shall not be payable on the Storage Invoice Due Date, but without prejudice to paragraph 8.22.
- 8.21 Except as provided in paragraph 8.20, but without prejudice to paragraph 8.24 the whole amount shown as payable by the User shall be payable on the Storage Invoice Due Date.
- 8.22 Where pursuant to paragraph 8.20, any amount is not paid on the Storage Invoice Due Date by the User, the amount (if any) which is agreed or determined (following resolution of the Storage Invoice Query) to be payable by the User shall be payable upon such resolution, and interest from the Storage Invoice Due Date shall be payable in accordance with paragraph 8.14 (but subject to paragraph 8.23) on such amount.
- 8.23 For the purposes of paragraph 8.22, where it is agreed or determined that the question or dispute the subject of the Storage Invoice Query pursuant to paragraph 8.20 was a bona fide question or dispute, the Applicable Interest Rate shall be that under paragraph 8.16(b) until the expiry of two (2) Business Days following the resolution of the Storage Invoice Query.
- 8.24 Subject to paragraph 8.26, nothing in this paragraph 8 shall prevent the User raising a Storage Invoice Query other than pursuant to paragraph 8.19, including in respect of any amount after payment has been made of such amount, or from paying any such amount at the same time as notifying a Storage Invoice Query in respect thereof; provided that (without prejudice to the resolution of the Storage Invoice Query) no

constructive trust or other implied term as to the receipt or application by the payee of the amount paid shall arise.

8.25 Where, upon resolution of a Storage Invoice Query or otherwise, it is agreed or determined that any amount or part of any amount paid should not have been paid, the payee shall repay the overpaid amount with interest at the Applicable Interest Rate from the date on which the payment was made to it or if later the Storage Invoice Due Date until the date of such repayment.

8.26 In the absence of fraud, after the expiry of 18 months (or any other period agreed between BG Storage and the User) after the Storage Invoice Due Date in respect of a Storage Invoice:

- (a) no adjustment may be made to a Storage Invoice Amount under that Storage Invoice, other than:
 - (i) an adjustment of which BG Storage has given notice to the User; or
 - (ii) an adjustment pursuant to a Storage Invoice Query raised by the User in accordance with this paragraph 8

before the expiry of such period;

- (b) no Storage Invoice Query may be raised in respect of the Storage Invoice;
- (c) the Storage Invoice shall (subject to any adjustments already made and any permitted under (a)) be deemed final and conclusive as to the amounts payable thereunder.

9. STORAGE CREDIT LIMIT

9.1 A User may not use a BGS LNG Facility unless it is party to a credit agreement (a "**Storage Credit Agreement**") with BG Storage.

9.2 For the purposes of this Section Z, a Storage Credit Agreement shall set out the terms and conditions relating to the calculation of a User's Storage Indebtedness, the requirements as regards the provision by a User of security to BG Storage and the calculation and revision of a User's Storage Credit Limit and for the purposes of this paragraph 9 a User's "**Storage Indebtedness**" and "**Storage Credit Limit**" shall have the meaning given to such terms in the Storage Credit Agreement to which it and BGS are a party.

9.3 BG Storage will determine and assign to the User a Storage Credit Limit and will revise such Storage Credit Limit from time to time, in each case in accordance with the Storage Credit

Agreement.

9.4 Where:

- (a) the User's Storage Indebtedness exceeds 70% of its Storage Credit Limit and BG Storage has given notice to that effect to the User;
- (b) at any time following such notice the User's Storage Indebtedness exceeds 85% of its Storage Credit Limit and BG Storage has given notice to that effect to the User (which may be given at the same time as that under paragraph (a))

paragraphs 9.5 and 9.6 shall apply.

9.5 Where and for so long as the Storage Indebtedness of a User exceeds 85% of the User's Storage Credit Limit, BG Storage shall be entitled to reject or refuse to accept any of the following from the User:

- (a) an application for Storage Capacity under this Section Z; or
- (b) a Storage Capacity Transfer under paragraph 4 in respect of which the User is Transferee Storage User.

9.6 Where and for so long as the Storage Indebtedness of a User exceeds 100% of the User's Storage Credit Limit, BG Storage may serve on the User a Storage Termination Notice in accordance with paragraph 10.

9.7 Where BG Storage reasonably believes that following the submission of a Nomination the Storage Indebtedness of the User will exceed 100% of the User's Storage Credit Limit BG Storage shall be entitled to reject such Nomination.

9.8 Where a User is required pursuant to the Storage Credit Agreement to provide BG Storage with security (in accordance with applicable provisions of the Storage Credit Agreement) BG Storage shall be entitled to reject or refuse to accept a Nomination or Storage Transfer until such time as the User has made such security available to BG Storage in accordance with any applicable requirements of the Storage Credit Agreement.

9.9 It shall not be a condition to BG Storage giving a Storage Termination Notice that BG Storage shall have first made any call upon, or taken any steps to enforce and realise any security made available pursuant to the Storage Credit Agreement.

10. STORAGE TERMINATION

10.1 General

10.1.1 Without prejudice to the provisions of Section V4, a User may cease to be a User for the purposes of this Section Z pursuant to paragraph 10.2 or 10.3; and for the purposes of this Section Z, a "**Discontinuing Storage User**" is a User who so ceases to be a User for the purposes of this Section Z and the "**Storage Discontinuance Date**" is the date with effect from which (in accordance with paragraph 10.2 or 10.3) a Discontinuing Storage User ceases to be a User for the purposes of this Section Z provided that such cessation shall be without prejudice to the User continuing to be a User for the purposes of the Code.

10.1.2 Upon a User's ceasing to be a User for the purposes of this Section Z in accordance with paragraph 10.1.1 subject to paragraph 10.3.5, this Section Z shall cease to bind the Discontinuing Storage User and (as respects the Discontinuing Storage User) BG Storage.

10.1.3 BG Storage will as soon as reasonably practicable after the Storage Discontinuance Date notify all other Users for the purposes of this Section Z of a User's ceasing to be a User for the purposes of this Section Z.

10.2 Voluntary discontinuance

10.2.1 A User may at any time by giving notice ("**Storage Discontinuance Notice**") to BG Storage apply to cease to be a User for the purposes of this Section Z.

10.2.2 A User may not cease to be a User for the purposes of this Section Z under this

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- (a) all amounts payable or which may become payable by the User to BG Storage pursuant to any provision of this Section Z, have been paid in full; and
- (b) any and all other obligations of the User pursuant to this Section Z have ceased or been satisfied; and
- (c) the User has no gas-in-storage in a BGS LNG Facility; and

- (d) any outstanding breach, being a breach capable of remedy and of which BG Storage has given notice to the User, by the User of any provision of this Section Z shall have been remedied.

10.2.3 Where a User has given notice under paragraph 10.2.1:

- (a) the User and BG Storage shall remain bound by the provisions of this Section Z until the requirements of paragraph 10.2.2 are satisfied;
- (b) the Storage Capacity which the User is registered as holding in BGS LNG Facilities shall not be reduced or cancelled other than in accordance with the relevant provisions of this Section Z (and the User will remain liable for payment of Storage Capacity Charges in respect thereof but may elect to make prepayment thereof).

10.2.4 Where a User has given notice under paragraph 10.2.1, after the satisfaction of last of the requirements of paragraph 10.2.2 to be satisfied:

- (a) with effect from the 5th Business Day following such satisfaction, the User will cease to be a User for the purposes of Section Z;
- (b) without prejudice to paragraph 10.2.5, BG Storage will as soon as reasonably practicable (and where possible before such date) inform the User of the date on which it ceases to be a User for the purposes of this Section Z under paragraph (a).

10.2.5 Notwithstanding paragraph 10.2.4, BG Storage or (as the case may be) the Discontinuing Storage User shall remain liable, subject to and in accordance with this Section Z, to the other after the Storage Discontinuance Date:

- (a) for any amount which was or becomes payable under this Section Z in respect of any period before the Storage Discontinuance Date; and
- (b) in respect of any outstanding breach of any provision of this Section Z where such breach was not (for the purposes of paragraph 10.2.2(d)) capable of remedy or (notwithstanding that paragraph) was capable of remedy but was not remedied.

10.3 Termination

10.3.1 For the purposes of this paragraph there shall have occurred a "**User Storage Default**" in relation to a User (the "**Defaulting Storage User**") in any of the following events or circumstances:

- (a) where in relation to any amount (or amounts in aggregate) of not less than £10,000 which has become due for payment by the Defaulting Storage User under this Section Z (excluding for the avoidance of doubt amounts the subject

of a Storage Invoice Query which by virtue of paragraph 8 have not become due for payment):

- (i) the Defaulting Storage User has not paid the amount in full by the 5th Business Day after the due date for payment, and
- (ii) on or after the 5th Business Day after the due date for payment BG Storage has given notice to the Defaulting Storage User requiring payment of such amount, and
- (iii) the Defaulting Storage User has not paid such amount in full by the 5th Business Day after the date of BG Storage's notice under paragraph (ii); or

(b) where:

- (i) the Defaulting Storage User is in material breach, other than such a breach as is referred to in paragraph 10.3.7, of any material provision (other than a payment obligation) of this Section Z; and
- (ii) the breach is capable of remedy by the Defaulting Storage User; and
- (iii) BG Storage has given notice (making reference to this paragraph 10.3) of such breach to the Defaulting Storage User; and
- (iv) within 14 Days after BG Storage's notice under paragraph (iii), the Defaulting Storage User does not either:
 - (1) remedy the breach in all material respects, where the breach is capable of remedy within such period of 14 Days; or
 - (2) where the breach is not so capable of remedy, provide to BG Storage a programme (setting out the steps to be taken by the User and the timetable for taking such steps) for the remedy of the breach as soon as is reasonably practicable; and
- (v) in the case in paragraph (iv)(2), the Defaulting Storage User does not:
 - (1) remedy the breach in all material respects with all reasonable diligence and so far as reasonably practicable in accordance with the programme provided under that paragraph or a revised programme pursuant to paragraph (2), and
 - (2) where notwithstanding the reasonable diligence of the User it is not reasonably practicable for the User to remedy the breach

in accordance with that programme, provide to BG Storage a revised such programme; and

- (vi) the breach remains unremedied in any material respect after the expiry of 7 Days after a further notice by BG Storage to the Defaulting Storage User to the effect that the Defaulting Storage User has not complied with paragraph (iv) or (v); or

(c) where:

- (i) the Defaulting Storage User is in material breach of this Section Z, other than such a breach as is referred to in paragraph 10.3.7, of any relevant provision (other than a payment obligation) of this Section Z; and
- (ii) the breach is not capable of remedy; and
- (iii) BG Storage has given notice (making reference to this paragraph 10.3) of the breach to the Defaulting Storage User; and
- (iv) at any time within the period of 12 months following BG Storage's notice under paragraph (iii), there occurs a further material breach by the Defaulting Storage User of the same provision of this Section Z; and
- (v) BG Storage has given a notice of such further breach to the Defaulting Storage User and a period of 7 Days has expired following such notice; or

(d) where:

- (i) the Defaulting Storage User is unable to pay its debts (within the meaning of Section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraph 10.3.2), or any voluntary arrangement is proposed in relation to it under Section 1 of that Act or it enters into any composition or scheme of arrangement (other than for the purpose of a bona fide solvent reconstruction or amalgamation); or
- (ii) the Defaulting Storage User has a receiver (which expression shall include an administrative receiver within the meaning of Section 29 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed; or
- (iii) the Defaulting Storage User has an administration order under Section 8 of the Insolvency Act 1986 made in relation to it; or

- (iv) the Defaulting Storage User passes any resolution for winding-up (other than for the purpose of a bona fide solvent reconstruction or amalgamation); or
- (v) the Defaulting Storage User becomes subject to an order by the High Court for winding-up.

10.3.2 For the purposes of paragraph 10.3.1(d)(i), Section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£10,000"; and the Defaulting Storage User shall not be deemed to be unable to pay its debts for the purposes of that paragraph if any such demand as is mentioned in the said Section is being contested in good faith by the Defaulting Storage User with recourse to all appropriate measures and procedures.

10.3.3 Upon the occurrence of a User Storage Default, and at any time after such occurrence at which the User Storage Default is continuing, BG Storage may give notice ("**Storage Termination Notice**") to the Defaulting Storage User to the effect that the User shall cease to be a User for the purposes of this Section Z with effect from the date (which may be any date on or after the date on which the notice is given) specified in the notice.

10.3.4 Where BG Storage gives a Storage Termination Notice to a Defaulting Storage User, with effect from the date specified in the notice, the User will cease to be a User (for the purposes of this Section Z only) and paragraph 10.1.2 shall apply.

10.3.5 The giving of a Storage Termination Notice and the application of paragraph 10.3.4:

- (a) shall not affect the rights and obligations of BG Storage and the Defaulting Storage User under this Section Z (including rights and obligations in respect of the User Storage Default, and in respect of amounts including interest payable by either Party, and rights and obligations arising pursuant to any provision of this Section Z and in respect of the User's ceasing to be a User for the purposes of this Section Z) accrued up to the date referred to in paragraph 10.3.4, which shall continue to be enforceable notwithstanding that paragraph;
- (b) shall not relieve the User from liability to pay Storage Capacity Charges that would otherwise have been payable in respect of the period from the date referred to in paragraph 10.3.4 until the end of the Storage Year in which such date falls which such Storage Capacity Charges shall be payable immediately by the User.

10.3.6 Where BG Storage has given a Storage Termination Notice it shall be entitled to inform such persons as it thinks fit that it has done so.

10.3.7 For the purposes of paragraph 10.3.1(b)(i) and (c)(i) the following breaches are excluded:

- (a) a breach which results from a breach by BG Storage of this Section Z;
- (b) a breach other than a wilful breach of a provision of Section Z where this Section Z specifically provides some other remedy for such breach and such other remedy may reasonably be considered to be adequate in the circumstances.

10.3.8 For the purposes of paragraph 10.3.1(c)(i) a breach is a material breach of a relevant provision where and only where:

- (a) in the case of a material provision, the breach is wilful or reckless, or
- (b) in the case of any provision, as a result of the breach BG Storage or any other User is in material breach of any material provision of the Code or any Legal Requirement or incurs any material liability or expense.

10.4 Gas-in-storage on termination

10.4.1 Where BG Storage gives a Storage Termination Notice to a User who has gas-in-storage in any BGS LNG Facility:

- (a) the User shall cease to have the entitlement conferred pursuant to paragraph 1.3.2 in respect of such gas-in-storage; and
- (b) BG Storage will, within a reasonable time after the Storage Discontinuance Date, seek to make Storage Gas Transfer(s) (without any accompanying Storage Capacity Transfer) in respect of an amount of gas-in-storage equal to the gas-in-storage of the Discontinuing Storage User, by conducting a tender on a basis similar to that provided for in Section K3.4.2 in respect of Residual Surplus Gas;
- (c) BG Storage shall be entitled to set-off against and deduct from the proceeds (if any) of the tender under paragraph (b) the amounts described in paragraph 10.4.2, in the priority therein stated;
- (d) BG Storage will pay the balance if any of such proceeds to the Discontinuing Storage User.

10.4.2 The amounts referred to in paragraph 10.4.1(c) are:

- (a) first, all costs and expenses incurred by BG Storage in connection with the tender referred to in paragraph 10.4.1(b);

- (b) secondly, all amounts for which the User is liable to BG Storage pursuant to Section Z (whether or not having become due for payment), including accrued interest thereon.

11. BG STORAGE ASSIGNMENT

- 11.1 Subject to paragraph 11.3, BG Storage may assign all or part of its rights and obligations in respect of a BGS LNG Facility under this Section Z to a 33¹/₃% Affiliate operating the relevant BGS LNG Facility and having the necessary technical expertise and financial resources.
- 11.2 Except as provided in paragraph 11.1, BG Storage shall not assign or transfer and shall not purport to assign or transfer any of its rights or obligations under this Section Z.
- 11.3 Where BG Storage assigns its rights and obligations under this Section Z pursuant to paragraph 11.1:
 - (a) it shall be a condition precedent to such assignment that such person shall enter into an agreement with each User who is a User for the purposes of this Section Z covenanting to be bound by the terms equivalent to those terms set out in this Section Z and such other terms of the Code such as are necessary to give to give effect and meaning to the terms set out in this Section Z;
 - (b) BG Storage shall be released from its obligations under this Section Z arising after such time as such assignment was effective, but shall remain liable for any obligations accruing up to such time.”