

Modification Report
Minor Corrections to Transco LNG Storage Terms
Modification Reference Number 0501
Version 2.0

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

The Modification Proposal was as follows

"It is proposed to make minor corrections to Section Z (Transco LNG Storage Facilities) and related parts of the Network Code, in order to;

1. Achieve consistent use of defined terms;
2. Remove obsolete references;
3. Correct minor cross-referencing and grammatical errors; and
4. Ensure timely information on Operating Margins requirements to facilitate the Annual Storage Invitation process."

The justification was as follows

"Previous Modifications have introduced minor inconsistencies into Section Z (Transco LNG Storage Facilities) and related parts of the Network Code, while Transco now wishes to correct to ensure the clarity of existing terms and establish a sound basis for any future developments. Although no substantive change to the LNG storage service is proposed, the proposed textual changes are extensive, and Transco wishes to seek shippers' views via a Modification Proposal, rather than applying for a Consent to change the Network Code."

2. Transco's Opinion

Transco raised this Modification Proposal in order to ensure that the current defined terms used in Section Z (Transco LNG Storage Facilities) and other related areas of the Network Code were consistent with the current use of defined terms. While existing customers of LNG Storage facilities understand how LNG services operate in practice, potential new customers in particular may find Section Z easier to interpret if this Modification Proposal were implemented.

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

The removal of the potential inconsistencies and associated ambiguities within Section Z of the Network Code would be expected to better facilitate the securing of effective competition between relevant shippers.

**4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:**

Transco is not aware of any implications for the operation of the system.

b) development and capital cost and operating cost implications:

Transco is not aware of any such cost implications.

c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:

If this Modification Proposal were implemented, the issue of cost recovery would not arise.

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

Transco is not aware of any consequence that implementation of this Modification Proposal would have on price regulation.

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

Transco would reduce any contractual risk due to reduction of ambiguities in the Network Code.

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

Transco is not aware of any implications for computer systems.

7. The implications of implementing the Modification Proposal for Users

Implementation of the Modification Proposal could improve Users understanding of Network Code Section Z (Transco LNG Storage Facilities).

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

Transco is not aware of any implications for Terminal Operators, Consumers, Connected System Operators, Storage Operators, Suppliers, Producers and any Non-Network Code Party.

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

Transco believes there would be a benefit of implementing this Modification Proposal as it would clarify the obligations of Transco and Users.

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

Advantages

1. Achieve consistent use of defined terms
2. Remove obsolete references
3. Correct minor cross-referencing and grammatical errors
4. Ensure timely information on Operating Margins requirements to facilitate the Annual Storage Invitation process.

Disadvantages

None identified

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

One representation was received from British Gas Trading. This supported implementation of this Modification Proposal.

BGT commented that "The modification addresses consistency, removal of obsolete references and a number of minor cross-referencing and grammatical errors. It also seeks to ensure the Annual Storage invitation process is based upon more accurate information."

Transco's Response

Transco concurs with the comments made by this User.

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

Transco is not aware of any such requirements.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

Transco is not aware of any such requirements.

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

Transco is not aware of any such requirements.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

Transco recommends implementation of this Modification Proposal as soon as possible.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of this Modification Proposal.

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 Gas & Electricity Markets Authority in accordance with this report.

19. Text

DEFINED TERMS INDEX

1. Delete the references to the defined terms **"BG Storage"**, **"BG Storage Facilities"**, **"Injection Period"**, **"Storage Credit Agreement"** and **"Transco LNG Facility"**.
2. Replace the defined term **"BG User Capacities"** with **"Transco User Capacities"**.
3. Replace the defined term **"Facility Injection Rate"** with **"LNG Facility Injection Rate"**.
4. Replace the defined term **"Invitation Close Date"** with **"Transco LNG Invitation Close Date"**.

SECTION C

1. Amend paragraph 5.1.11(c) as follows:

"(c) a Constrained Storage Renomination made by Transco on behalf of a User in accordance with Section R4 shall be a Primary Renomination."

SECTION K

1. In paragraphs 1.2.3 and 1.2.4 replace "Transco LNG Storage LNG Facilities" with "Transco LNG Storage Facilities".
2. Amend paragraph 2.2.3 as follows:

"2.2.3 Transco will, not later than 1st March in each Storage Year . . . "

SECTION P

1. In paragraph 3.2.2(iii) replace "Programmed Injection Days" with "Applicable Programmed Injection Days".

2. Amend the heading to paragraph 4.4 as follows:

"Surrender on late booking at Transco LNG Storage Facilities".

SECTION R

1. In paragraphs 1.5.1(d)(i) and 1.5.1(e)(i) replace "Transco LNG Facility" with "Transco LNG Storage Facility".

2. Amend paragraph 1.5.1(g) as follows:

"(g) **"Applicable Invitation Close Date"** is in respect of:

- (i) a Transco LNG Storage Facility, the Transco LNG Invitation Close Date;
- (ii) any other Storage Facility, the date identified in the relevant Storage Terms by which Storage Users must make applications for Storage Capacity for a Storage Year".

3. Amend paragraph 1.5.1(h) as follows:

"(h) **"Applicable Programmed Injection Days"** are in respect of: . . ."

4. In paragraph 1.5.1(k)(i) replace "Facility Injection Rate" with "LNG Facility Injection Rate".

5. Amend the heading to paragraph 1.7 as follows:

"Transco LNG Storage"

6. Amend paragraph 1.7.1 as follows:

"1.7.1 For the purposes of the Code:

- (a) **"Transco LNG Storage"** means Transco acting as operator of the Transco LNG Storage Facilities (whether or not, pursuant to Condition

7(15) of the Transco Licence, the arrangements which relate to the utilisation of such facilities are for the time being arrangements falling within Condition 7(14) thereof); and

- (b) **"Transco LNG Storage Facilities"** means the LNG Facilities which are from time to time operated by Transco and are located at Glenmavis, Partington, Dynevor Arms, Avonmouth and Isle of Grain;"

7. In paragraphs 2.1.1(d) and 4.2.2 replace "Storage Nomination Time" with "Applicable Storage Nomination Time".
8. In paragraph 4.2.4(a) replace "Transco LNG Facility" with "Transco LNG Storage Facility".

SECTION V

1. In paragraphs 5.1.2 and 7.1.2(i) replace "BG Storage Facilities" with "Transco LNG Storage Facilities".
2. In paragraph 7.1.2 replace the defined term **"BG User Capacities"** with **"Transco User Capacities"**.
3. In paragraph 7.1.2(v) replace "BGS LNG Facilities" with "Transco LNG Storage Facilities".
4. In paragraphs 7.2.1(i), (ii), (iii) and (v) replace "BG User Capacity" with "Transco User Capacity".
5. In paragraph 7.2.2 replace "BG User Capacities" with "Transco User Capacities".

SECTION W

1. Amend the definitions of "Transco" and "Transco Licence" in paragraph 1 as follows:

""Transco"": without prejudice to paragraph 2.9.1, Transco plc as licensee under the Transco Licence;

"Transco Licence": the Gas Transporter's Licence treated as granted to Transco, as from time to time in force;"

SECTION Z

1. Delete paragraph 1.1.2.
2. Amend paragraph 1.2.1 as follows:

"1.2.1 Transco LNG Storage shall be deemed to be appointed . . . "
3. In paragraph 1.3.2 replace "BGS Transco LNG Storage Facility" with "Transco LNG Storage Facility".
4. In paragraphs 1.4.1 and 2.6.1 replace "Transco LNG Facilities" with "Transco LNG Storage Facilities".
5. In paragraph 2.1.3(b) replace "Transco LNG facility" with "Transco LNG Storage Facility".
6. In paragraph 2.1.6 replace "Transco LNG Facility" with "Transco LNG Storage Facility".
7. In paragraph 3.1.3(a) replace the defined term **"Invitation Close Date"** with **"Transco LNG Invitation Close Date"**.
8. In paragraphs 3.1.3(d), 3.6.1(b), 3.6.1(b)(ii), 3.6.2, 4.7, 4.7(a), 5.1.3(c), 5.2.2, 5.2.2(b), 5.2.3, 5.2.4, 5.2.5, 5.3.1(a), 5.3.3(b), 5.4.1, 5.5, 5.8.1 and 5.9.1 and in the headings to paragraphs 5.2 and 5.9, replace all references to "Injection Period" with "Transco LNG Injection Period".
9. In paragraphs 3.1.4, 3.3, 3.5.2 and 3.7.1 replace "Invitation Close Date" with "Transco LNG Invitation Close Date".

10. Amend paragraph 3.1.7 as follows:

"3.1.7 For the purposes of paragraph 3.1.6, except where (in accordance with paragraph 3.4.2 or paragraph 3.5.5) 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."

11. Amend paragraph 3.2.1(e) as follows:

". . . and any request for the purposes of paragraph 3.4.8; and"

12. In paragraph 3.2.1(e) replace "Transco LNG Facilities" with "Transco LNG Storage Facilities".

13. In paragraph 3.3 replace "Transco's Public Gas Transporter's Licence" with "Transco Licence".

14. In paragraph 3.3 replace "Supply of LNG Storage Services" with "supply of services under this Section Z".

15. In paragraphs 4.7(b), 5.1.3(b), 5.2.1, 5.2.2(b), 5.3.3(b), 5.3.4, 5.3.5(b), 5.4.3, 5.4.4, 5.4.5, 5.4.7, 5.4.8, 5.5, 5.7.1 and 5.7.1(b) replace "Programmed Injection Day" with "Programmed LNG Injection Day" and replace "Programmed Injection Days" with "Programmed LNG Injection Days".

16. In paragraph 5.1.3(e) replace the defined term "**Facility Injection Rate**" with "**LNG Facility Injection Rate**".

17. In paragraphs 5.2.2(b), 5.4.5, 5.4.6(a) and 5.6.5(a) replace "Facility Injection Rate" with "LNG Facility Injection Rate".

18. In paragraphs 5.3.2 and 5.4.6(c) replace "User Injection Rate" with "User LNG Injection Rate".

19. In paragraphs 5.7.1, 5.7.1(a), 5.7.2(b), 5.9.2, 6.2.6 and 6.2.7 replace "Storage Nomination Time" with "LNG Storage Nomination Time".

20. Amend paragraph 6.7.2 as follows:

" . . . shall be modified or disapplied to the extent necessary to give effect to this paragraph 6.7."

21. Amend paragraph 8.1.1 as follows:

"8.1.1 The amounts payable by the User to Transco LNG Storage and by Transco LNG Storage to the User in accordance with this Section Z will be invoiced and are payable in accordance with this paragraph 8 . . . "

22. Amend paragraph 8.1.1(c) as follows:

"(c) a **"Storage Invoice Item"** is an item (in respect of all charges of a particular kind) shown as payable by Transco LNG Storage or by a User in a Storage Invoice (including where relevant a Storage Self Bill Amount) including interest payable in accordance with this paragraph 8;"

23. Amend paragraph 8.1.3 as follows:

"8.1.3 A Storage Invoice may show as a Storage Invoice Amount an amount (a **"Storage Self Bill Amount"**) payable by Transco LNG Storage to the User in respect of which Regulation 13(3) of the Value Added Tax Regulations 1995 is to apply."

24. In paragraph 9.1.1 replace "BGS Transco LNG Storage Facility" with "Transco LNG Storage Facility".

25. Amend paragraph 9.1.2 as follows:

" . . . shall have the meaning given to such terms in the Transco LNG Storage Credit Agreement to which it and Transco LNG Storage are a party."

26. Amend paragraph 10.4.1(b) as follows:

" . . . conducting a tender on a basis similar to that provided for in Section K3.3.2 in respect of Residual Surplus Gas;"

TRANSITION DOCUMENT PART II

1. Amend the heading in paragraph 8.17 to the Transition Document Part II as follows:

"8.17 Section Z: Transco LNG Storage Facilities"

Signed for and on behalf of Transco.

Signature:

Tim Davis
Head of Regulation NT&T

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0501**, version **2.0** dated **04/01/2002**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **2.0**.

Signature:

Process Manager - Network Code

Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") 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 Authority 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 paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriateprovided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.