

OFGEM DECISION LETTER No. 0501
"Minor Corrections to Transco LNG Storage Terms"
Version 1.0

Direct Dial: 020 7901 7374

25 February 2002

Transco, Shippers and Other Interested Parties

Your Ref:
Our Ref : Net/Cod/Mod/501

Dear Colleague,

Modification Proposal 501 – “Minor Corrections to LNG Storage Terms”

Ofgem has considered the issues raised in Network Code modification proposal 501 “Minor Corrections to LNG Storage Terms”. We have decided to direct Transco to implement the modification proposal because we believe that it better facilitates the relevant objectives of Transco’s Network Code in Standard Condition 9 of Transco’s gas transporters licence. In this letter, we explain the background to the modification proposal, the nature of the proposal and give our reasons for making this decision.

Background

Under Standard Condition 9 of Transco’s gas transporters licence it is required to have a Network Code which establishes transportation arrangements consistent with the relevant objectives under paragraph 1 of Standard Condition 9. All licensed gas shippers are required to sign Transco’s Network Code. Transco’s Network Code came into effect from October 1996.

The Network Code includes references to storage services, including in relation to the sale of Transco’s LNG services and Transco’s obligations to purchase operating margins gas and top-up. These sections of the Network Code are Sections C, K, P, R, V, W and Z.

Since the Network Code came into effect there have been various changes in the ownership of storage assets, the sale of storage services and the purchasing by Transco of operating margins gas and top-up. Many of these changes have included changes to the Network Code. However, the Network Code still contains sections that do not fully reflect these changes.

The modification proposal

Network Code modification proposal 501 “Minor Corrections to LNG Storage Terms” proposes minor corrections to Section Z (Transco LNG Storage Facilities) and related parts of the Network Code to:

- achieve a consistent use of defined terms;
- remove obsolete references;
- correct minor cross-referencing and grammatical errors; and

- ensure timely information on operating margins requirements to facilitate the Annual Storage Invitation process.

Previous modifications have introduced minor inconsistencies in Section Z of the Network Code. This modification seeks to ensure the clear and consistent use of existing terms to form the basis for any future developments. No substantive change to the LNG storage service is proposed by this modification.

Respondents' views

One response was received to this modification proposal. It supported the proposed modification.

The respondent supported the proposed modification because it creates greater consistency, removes obsolete references and corrects a number of minor cross-referencing and grammatical errors. The respondent agreed with Transco that the modification would ensure that the Annual Storage Invitation process would be based on more accurate information.

Ofgem's view

Ofgem believes that this modification better facilitates the achievement of Transco's relevant objectives under Standard Condition 9 of its gas transporters licence.

In particular, Ofgem believes that the proposal will better facilitate the economic and efficient operation of Transco's system and the securing of effective competition between relevant shippers because it will ensure consistency between the current defined terms used in Section Z of the Network Code and other related areas of the Network Code. This will help to ensure that potential new customers of LNG and storage services will be able to more easily understand how such services operate as the Network Code will be easier to interpret.

Ofgem's decision

Ofgem has decided to direct Transco to implement this modification because we believe that it better facilitates the relevant objectives outlined in Standard Condition 7 of Transco's Gas Transporter's licence.

Ofgem expects Transco to implement this modification immediately.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the number above.

Yours sincerely,

Paul Smith
Head of Market Surveillance