

## **TRANSCO WORKSTREAM REPORT**

"Isle of Grain: Change of Status from LNG Storage Facility to Importation Terminal"  
Version 1.0

### **1 Background to the Modification Proposal.**

Modification Proposal 0639 was raised to facilitate the change of status of Isle of Grain from a Transco LNG Storage Facility to a LNG Importation terminal.

### **2 Description of the Proposal**

It is proposed that:

- Isle of Grain be removed from the list of Transco LNG Storage Facilities and Constrained Storage Facilities in Sections R 1.7.1 (b) and R4.1.1 respectively of the Network Code.
- Section K: Operating Margins and Section R4: Constrained Storage be widened to enable the inclusion of any appropriately located LNG importation terminal to allow Isle of Grain to continue to provide these services to Transco, as reflected in Transco's Safety Case, whilst at the same time allowing any similar importation terminal to offer these services on a similar basis. This basis would include application of the same locational criteria in determining whether that terminal would be suitable for provision of Constrained Storage services and locationally sensitive Operating Margins services.
- In respect of Top-up, the Isle of Grain availability would contribute to the maximum daily supply as defined in Section O2.2 in the same manner as any System Entry Point that is not a Storage Facility. The Top-up Manager would not in consequence apply for Top-up Storage Capacity at the Isle of Grain but would, if required, still apply for Top-up Storage at Storage Facilities. If the Top-up Manager determined a Winter Top-up Injection Requirement in respect of the Short Duration Storage Facility Type, it would retain its present rights under the Network Code to partly or wholly counter the effect of withdrawals made on that Day by Users, in respect of Isle of Grain. This would entail the temporary allocation of Storage Space at Isle of Grain that reflected the quantity of gas associated with the Top-up Manager's injection nomination.
- The Top-up Manager would only be allocated Storage Space at Isle of Grain whilst that Space was available. For example, an LNG cargo transfer into the storage tanks might necessitate the withdrawal of gas occupying that Space prior to that transfer. The cost of such gas and its storage at the LNG importation terminal would be included within Top-up Costs.
- As a consequence of Transco's use of Operating Margins services at Isle of Grain, the cost of such gas would be included within Eligible Margins Costs and in consequence be invoiced to Users to the same time-scale as any other Daily Margins Recovery Amount. This would be consistent with cost recovery in respect of Storage Facilities.
- For Constrained Storage, Transco would not have the entitlement to require users of the LNG terminal to nominate gas for withdrawal but the Top-up Manager would

secure the availability of gas for delivery at that System Entry Point when required for the purpose of transmission support. The cost of such gas would be included within Top-up Costs.

### **3 Workstream Discussions**

Business Rules were developed by the PSS Sub-Group at its meetings held on 12/08/03 and 02/09/03 and circulated to the Industry for comment by 10/09/03. Four main issues had been raised within business rules development that Transco sought to address in a presentation given on 02/09/03.

These were:

1. Details on the nature of Gas Delivery Contracts.
2. Provision of Services in a non-discriminatory manner. Transco had been asked to provide details of the operation of the service, particularly in respect of the unique arrangements being developed for a universal product at the Isle of Grain specifically and the consideration that had been given to this product's application at other Terminals.
3. Detail on the Treatment of Costs.
4. Any effect that the change of status might have on achievement of 1 in 50 security.

Transco believed that these issues had been satisfactorily addressed and repeated its presentation along with background information at the 04/09/03 NT&T Workstream meeting. This view was not shared entirely by the Workstream and some members expressed the view that these issues had not all been resolved and were fundamental to the proposed changes to the Network Code.

Following discussion, the Workstream agreed that the Proposal was not sufficiently developed for it to proceed to consultation via the September Modification Panel. It considered that a further opportunity was required to fully review the Business Rules and subsequently extended the deadline for comments to the 15th September. (Post meeting note: two sets of written comments have been received)

In addition to the four issues raised above, Transco was requested to address the following:

1. Why it was proposed that Transco may contract with providers that are non-Network Code parties when it may not contract direct with end-users for similar purposes?
2. Why would the transmission rebate only continue to be apply to Constrained Storage Facilities rather than for them and LNG Importation Terminals?

Transco suggested that the clarity requested could be resolved through inclusion of explanatory paragraphs within the draft Modification Report. It was contended, however, that the lack of present clarity in specific areas would affect the quality of Shippers' responses to the Proposal.

### **4 Conclusion**

The majority view of the Workstream was that the Proposal should remain with it for further development. Whilst Transco did not originally share this view, after reviewing

the latest set of written comments, it recognises that they would best be addressed in the October meeting of the NT&T Workstream

**It is therefore proposed that Modification Proposal 0639 remain with the NT&T Workstream.**