

TRANSCO WORKSTREAM REPORT

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

Version 1.0

This Workstream Report to the October Network Code Modification Panel also makes reference to Modification Proposal 0647 "Transitional Arrangements to facilitate the change of status of the Isle of Grain Storage Facility to Importation Terminal" as the Workstream held the view that the two Proposals should be considered simultaneously.

1 Background

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. Modification Proposal 0647 was raised to facilitate the part-year operation of LNG Storage Services from the commencement of 2004/5 Storage Year until the date that the Isle of Grain Storage Facility would cease to be a Storage Facility ("*the Effective Date*").

2 The Proposals

0639: It was 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.

0647: It was proposed that transitional LNG storage services be made available at the Isle of Grain Storage Facility until the Effective Date. It is

- There would be no carry-over provisions for gas-in-storage with effect from the Effective Date; and
- Mandatory withdrawals would apply unless alternative arrangements had been made between the Users concerned and parties that secured a service at the Isle of Grain LNG Importation Terminal with effect from the Effective Date.

3 Workstream Discussions

Business Rules were developed by Transco and presented to the PSS Sub-group at its meetings held on 12/08/03 and 2/09/03 and circulated to the industry for comment. A final version of both sets of Business Rules were subsequently discussed at the NT&T Workstream meeting held on 8 October (copies attached). It was agreed at this meeting that the two Proposals were sufficiently developed in order to recommend to the October Network Code Panel that they should proceed to consultation.

4 Conclusion

The Workstream concluded that sufficient development had taken place to recommend to the October Network Code Panel that both Proposals proceed to consultation.