

**Modification Report**  
**Reintroduction of Constrained Top-up**  
**Modification Reference Number 0011(0736)**

Version 2.0

This Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 9.6.

**1. The Modification Proposal**

It is proposed that in respect of Constrained Storage Facilities:

- If Users book insufficient quantities of Storage Capacity to ensure that the quantity of gas-in-storage during the Winter Period would be at least the Aggregate Weekly Minimum Requirement, Transco would be permitted to book the difference.
- Transco would purchase any capacity required for this purpose after completion of the Annual Storage Invitation on the same late booking terms offered to other Storage Users.
- Transco would be able to surrender part or all of that capacity booking and receive full recompense, if another Storage User subsequently required additional Storage Capacity.
- In respect of the gas, Transco would be permitted to procure the gas in accordance with the Procurement Guidelines, which would be amended accordingly if this Proposal were implemented.
- Similarly, where it ceases to require such quantities of gas-in-storage it would be permitted to dispose of that gas in accordance with the Procurement Guidelines, as amended.
- Constrained withdrawals of gas, held as Constrained Top-up, would be under the same terms as gas held by other Storage Users within that Storage Facility.
- The consequent imbalance would be cashed-out at the  $SMP_{sell}$  price.
- The Constrained Top-up Manager would be excluded from all neutrality charges or payments.

In respect of LNG Importation Terminals, it is proposed that the Constrained Top-up Manager be permitted to procure the required volume of Transmission Support services either on an equivalent basis or as a gas flow service from the capacity holder(s) at that Importation Terminal. To retain equivalence to Constrained Storage Facilities, in terms of licence incentives, it is proposed that LNG Terminals be included within the Network Code definition of Constrained Storage Facilities.

**2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

Transco requires Transmission Support services so that it can meet its licence obligation in respect of Pipeline Security, particularly the 1 in 20 Peak Day requirement. Whilst this obligation would normally be fulfilled by installing sufficient physical pipeline capacity, backed-up by Constrained Storage services, there is a potential requirement for these to be “topped-up” by Transco storage bookings or by Transco service bookings at LNG Importation Terminals, in order to meet this level of Pipeline Security.

Implementation of this Proposal is required to ensure that Transmission Support services can continue to be procured at Constrained Storage Facilities, if Users at these locations did not book sufficient storage under the existing Constrained LNG arrangements. These Constrained Top-up provisions existed prior to the Implementation of Modification Proposal 0710 "Removal of Top-up Arrangements" but implementation of that Proposal removed all Top-up arrangements, including Constrained Top-up. Whilst all available Storage Capacity at the Constrained LNG Storage Facilities was booked by Users in respect of the 2004/5 Storage Year, there is a possibility that this will not be the case for subsequent years and therefore Constrained Top-up arrangements would once more be required.

One of the consequences of implementation of Modification Proposal 0647 "Transitional Arrangements to facilitate the change of status of the Isle of Grain Storage Facility to a LNG Importation Terminal", is that from the Effective Date, this facility will be unable, under the Network Code, to offer a service similar to the Constrained Storage service offered at Storage Facilities. For this reason, Transco considers that a Proposal is required to ensure that Constrained Top-up services can be procured both at Storage Facilities and Importation Terminals. This would also allow any future LNG Importation Terminals to provide Transmission Support services, potentially in competition with Storage Facilities.

**3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

Constrained Top-up may make a contribution to meeting the 1 in 20 Peak Day transmission capability as an economic alternative to pipeline reinforcement. Implementation would, in reintroducing Constrained Top-up, be consistent, therefore, with the efficient discharge of obligations under Transco’s licence.

This Proposal would potentially provide a further source of Transmission Support in competition with that available at Storage Facilities. This benefit would be consistent with economic and efficient operation of the System.

**4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including**

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

Transco would be able to maintain Security of Supply on the 1 in 20 Peak Day and days of similar severity. For all other days implementation would have no implication for the operation of the System.

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

If insufficient storage were booked by Users, Transco would face the cost of procuring both the storage service and the associated gas costs. If a constrained requirement were identified that could be met from a LNG Importation Terminal, Transco would face the associated service costs.

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

These costs would be included within the Constrained Storage element of the Exit Incentive. This element of the incentive currently has a 100% sharing factor and no cap or collar and therefore Transco would fully bear any additional costs above the target and fully benefit from any savings.

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

Transco is unaware of any such consequences.

**5. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

Restoration of Constrained Top-up arrangements would restore the contractual risks associated with those arrangements.

**6. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

Transco is unaware of any such implications.

**7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

Users would have increased assurance that their Firm Supply Points would continue to be able to offtake gas on a 1 in 20 Peak Day. Transco is unaware of any other implication of implementation for Users.

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

Suppliers and Consumers would have an increased assurance of the System's capability in meeting the 1 in 20 Pipeline Security Standard. Storage Operators that offer Constrained Storage services would have assurance that a minimum level of storage equivalent to the Constrained Storage Requirement would be booked, even if it were not booked by Shippers. LNG Terminal Operators would be able to offer Transmission Support services to Transco - at present there is no such provision within the Network Code.

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

Implementation of this Proposal would ensure that Transco continued to meet the Pipeline Security Standard defined in Standard Condition 16.2 of Transco's Gas Transporter Licence even if Users did not book sufficient storage capacity at the Constrained Storage Facilities. This has been referred to as the 1 in 20 Peak Day requirement.

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

Transco has identified the following **advantages** of implementation:

- In terms of transportation, sufficient storage to ensure 1 in 20 Peak Day security would continue to be booked even if Users had not booked sufficient storage to provide that level of security.
- Would provide potential for ongoing competition in Transmission Support arrangement between LNG Terminals and between these Terminals and Storage Facilities.

Transco has not identified any **disadvantages** of implementation.

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

Representations were received from the following:

Centrica Storage Ltd (CSL)	Qualified Support
E.ON UK plc (EON)	Support

**General**

E.ON UK supported implementation on the basis that it would assist "Transco in meeting its Pipeline Security Standard, referred to as the 1 in 20 Peak Day requirement."

CSL supported the aim of this Proposal.

### **Definition of Constrained Storage Facility**

CSL suggested that the definition of Constrained Storage Facility be reviewed. Based on its interpretation of R4.1.1. and R4.1.4, CSL suggested that implementation of a Modification Proposal would be required if any new facility were to become a Constrained Storage Facility and concluded that this might be "unhelpful in view of the likely timescales for identifying transmission support requirements."

### **Transco View**

In raising this Proposal, Transco was not seeking to extend the scope of Constrained Storage to include any future Storage Facilities that could fulfil a transmission support role. Transco is, however, supportive of the general principle and would either raise or support such a Modification Proposal if development of a suitable Storage Facility were in prospect. Transco has also revised the legal text to apply to LNG Importation Facilities in general rather than specifically to Isle of Grain.

### **Cost Treatment**

CSL pointed out that the cost treatment in respect of traditional Constrained Top-Up services "would be reasonably transparent". However, CSL referred to the lack of debate on the "Top-Up Gas Retention and Delivery Arrangements" defined in the text in respect to the Isle of Grain Importation Facility and did not believe the prospective impacts were clear. CSL stated that providing there would be absolutely no financial impact on shippers "this need not be a difficulty", but, taking the example of Dynevor Arms and a potential LNG Importation Facilities in South Wales, suggested that there might be a "transmission support interaction which could affect shippers' costs and shippers' valuation of storage capacity."

### **Transco View**

Whilst LNG Importation Facilities were specifically identified as Constrained Storage Facilities in the Network Code there would be no direct effect on Users' costs if this Proposal were implemented. Users' valuation of storage capacity would potentially be affected if a greater diversity of sources of transmission support were facilitated by implementation of this Proposal. Transco would suggest, however, that this would be the direct result of increased competition in transmission support provision which would be expected to provide benefits to the industry as a whole.

#### **12. The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation**

Transco is unaware of any such requirement.

#### **13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence**

Transco is unaware of any such requirement.

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

Transco is unaware of any such requirement.

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

Transco recommends immediate implementation. This would clarify the storage booking arrangements prior to the Annual Storage Invitation for LNG Storage Facilities set for March 2005.

**16. Implications of implementing this Modification Proposal upon existing Code Standards of Service**

**17. Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel**

Transco recommends that this Proposal be implemented.

**18. Transporter's Proposal**

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

## 19. Text

### Section E

*Amend paragraph 2.2.4 to read as follows:*

"Where (by virtue of being Shrinkage Provider or Top-Up Manager or for Operating Margins Purposes or otherwise) Transco is party to an agreement pursuant to which a person is appointed as User Agent pursuant to paragraph 2.2.1, no provision of such agreement and nothing done by Transco pursuant to such agreement shall modify or take effect as a waiver of any provision of the Code."

### Section F

*Amend paragraph 4.1.2(a) to read as follows:*

""**relevant User**" means any User other than the Shrinkage Provider, the Top-up Manager, and Transco when acting for Operating Margins Purposes;"

*Amend paragraph 6.1.3(a) to read as follows:*

""**relevant User**" means any User other than the Top-up Manager, the Shrinkage Provider and Transco when acting for Operating Margins Purposes;"

### Section K

*Amend paragraph 3.2.5 to read as follows:*

"Where this would be consistent with the requirements of paragraph 3.4. 1 or (as the case may be) Section P2.6, a Relevant System Manager may choose to make all or part of its Margins Gas Procurement Arrangements or (as the case may be) its Top-Up Gas Procurement Arrangements in respect of any deficit Storage Facility or LNG Importation Facility by arranging for the withdrawal from a surplus Storage Facility or LNG Importation Facility and injection into a deficit Storage Facility or LNG Importation Facility in the relevant Storage Year of a quantity of gas not in aggregate exceeding the lesser of the remaining surplus and the remaining deficit (the aggregate quantity of gas which is to be so withdrawn and injected, the "**Carry-Across Gas**")."

*Amend paragraph 3.2.6(a) to read as follows:*

"a "**Relevant System Manager**" is: (i) Transco acting for Operating Margins Purposes; and (ii) the Top-up Manager in accordance with Section P;"

*Amend paragraph 3.2.6(b) to read as follows:*

"references to the amount of Storage Space or LNG Importation Space held by a Relevant System Manager are to the amount held pursuant to the relevant provisions of this Section K or Section P;"

*Amend paragraph 3.3.2(f)(ii) to read as follows:*

"may (where it provides for ..... (where paragraph 3.3.7 applies) in Margins Gas Procurement Arrangements or (as the case may be) Top-up Gas Procurement Arrangements;"

*Amend paragraph 3.3.5 to read as follows:*

"If after the tender under paragraph ..... its Storage Space or LNG Importation Space) shall be costs of the Relevant System Manager for the purposes of this Section K or Section P."

*Amend paragraph 3.5.4 to read as follows:*

"Without prejudice to paragraph 3.5.3, Transco may procure gas (in accordance with paragraph 3.2) for Operating Margins Purposes and on behalf of the Top-up Manager and the Shrinkage Provider on an integrated basis; but Transco shall in any event maintain separate records of the quantities of gas procured for Operating Margins Purposes and for the Top-up Manager and the Shrinkage Provider."

*Amend paragraph 3.7.1(b) to read as follows:*

"Not used if and to the extent that the Operating Margins Facility is Available (in accordance with Section P3.2) for Top-Up and Constrained Storage purposes, make (as transferee) a Winter Storage Gas Transfer in relation to that facility with the Top-Up Manager (if the facility is a Top-Up Storage Facility) or, where any other User offers to do so on terms which Transco reasonably determines to be acceptable, with such other User (as transferor), in respect of a quantity of gas, and/or"

*Amend paragraph 4.2.4(a) to read as follows:*

"Not used the amounts (if any) paid by Transco (Margins) to the Top-up Manager in respect of Storage Gas Transfers made pursuant to paragraph 3.3"

*Amend paragraph 4.4.1(a) to read as follows:*

"the aggregate (for each Operating Margins Facility for Operating Margins Purposes) of the quantities of gas: (i) subject to Storage Gas Transfers under paragraph 3.3.2 in favour of the Top-up Manager, and (ii) subject to Residual Gas Transfers (as Residual Surplus Gas) under paragraph 3.4, multiplied by Operating Margins WACOG for the relevant Storage Facility (as at the end of the Storage Year following which such transfers are made), and"

## **Section O**

*Amend paragraph 1.2.3(b) to read as follows:*

"further information which may be required for the purposes of the Code (in particular, Section P and/or Section Q) or which Transco may decide to include in such document."

## **Section P**

Amend Section P to read as follows:

### **P CONSTRAINED TOP-UP**

#### **1 GENERAL**

##### **1.1 Introduction**

1.1.1 In each Storage Year Transco will take the steps described in this Section P for the purposes of supplementing the amounts of Storage Capacity and gas-in-storage held by Storage Users or amounts of LNG Importation Capacity and gas-in-storage held by LNG Importation Users in Constrained Storage Facilities, and the quantities



of gas withdrawn from Constrained Storage Facilities by Storage Users or LNG Importation Users (as the case may be), in the circumstances and to the extent set out in this Section P.

1.1.2 In this Section "**Top-up Manager**" means Transco when performing its functions under this Section P.

1.1.3 Subject to paragraph 1.2.1, the Top-up Manager may enter into arrangements ("**Top-up Capacity Arrangements**") pursuant to which it may be a Storage User of Storage Facilities in accordance with the relevant Storage Terms or a LNG Importation User of LNG Importation Facilities in accordance with the relevant LNG Importation Terms; and in particular the Top-up Manager:

(a) may apply for and hold Storage Capacity or LNG Importation Capacity in, and inject and withdraw gas to and from Constrained Storage Facilities,

(b) may make Storage Gas Transfers, and

(c) may incur and pay charges in respect of the use of Constrained Storage Facilities

in accordance with the relevant Storage Terms or LNG Importation Terms.

1.1.4 The Top-up Manager may enter into arrangements ("**Top-up Gas Retention and Delivery Arrangements**") with one or more LNG Importation Users of a LNG Importation Facility which is a Constrained Storage Facility pursuant to which such LNG Importation Users will retain gas-in-storage at that LNG Importation Facility and will deliver such gas to the Top-up Manager, in each case on the date or dates requested by the Top-up Manager, and in accordance with the terms of the relevant Top-up Gas Retention and Delivery Arrangements.

1.2 The Top-up Manager as a User of Transco LNG Storage Facilities

1.2.1 The general provisions of Section Z are modified in respect of their application to the Top-up Manager as therein provided and as follows:

(a) the requirements of Section Z3 as to timing and approval of applications for Storage Capacity shall not apply to the Top-up Manager (and the Top-up Manager will only apply for capacity in a Transco LNG Storage Facility in accordance with Section Z3.7);

(b) the requirements of Section Z5 as to the notice required of changes to injection quantities shall not apply to Top-up Manager;

(c) Storage Overrun Charges will not be payable by the Top-up Manager in respect of injection to a Transco LNG Storage Facility outside the Transco LNG Injection Period; and

(d) the Top-Up Manager may surrender Storage Capacity in accordance with paragraphs 3, 4.1 and 4.4.

1.2.2 Where the Top-up Manager applies for Storage Capacity in a Transco LNG Storage Facility for which applications were made by way of tender on the basis of price, the Top-up Manager will pay Storage Capacity Charges on the basis of the late-booking rates under Section Z3.1.3(f)

1.2.3 When entering into Storage Terms or LNG Importation Terms in respect of a Constrained Storage Facility other than a Transco LNG Storage Facility, the Top-up Manager shall endeavour to ensure that such Storage Terms or LNG Importation Terms contain terms which give the Top-up Manager rights of an equivalent nature to those referred to in paragraph 1.2.1 and the Top-up Manager shall not be under any obligation to enter into Storage Terms or LNG Importation Terms which so provide and the Top-up Manager shall not be liable to Users in any respect should any other Storage Terms or LNG Importation Terms to which it is a party not so provide.

1.3 The Top-up Manager as System User

1.3.1 The Top-up Manager will be a User for the purposes of the Code in respect of the System; and in particular the Top-up Manager:

- (a) in accordance with Section B may apply for and hold System Entry Capacity at System Entry Points and NTS Exit Capacity at Storage Connection Points;
- (b) will make Nominations in accordance with Section C;
- (c) may make Acquiring Trade Nominations in accordance with Section C;
- (d) may make Disposing Trade Nominations in accordance with Section C;
- (e) will pay and receive Balancing Charges under Section F; and
- (f) may make System Capacity Trades (where it has made a Constrained Top-up Storage Transfer).

1.3.2 The Top-up Manager will not pay or receive Balancing Neutrality Charges or Reconciliation Neutrality Charges.

1.4 Top-up Storage Facilities

1.4.1 A Storage Facility or LNG Importation Facility in which the Top-Up Manager for the time being holds Storage Capacity or LNG Importation Capacity or has gas-in-storage is a "Top-up Storage Facility".

1.5 Constrained Top-up information

1.5.1 The Top-up Manager shall have access to such details of the use of a Constrained Storage Facility by all Storage Users or LNG Importation Users as may be provided for under the relevant Storage Connection Agreement or Network Entry Agreement, and/or the relevant Top-up Gas Retention and Delivery Arrangements.

1.5.2 In particular:

- (a) each Storage Operator will provide to the Top-up Manager:
- (i) where the Top-up Manager so requests, the details of the amounts of aggregate Storage Capacity allocated to Storage Users for each Constrained Storage Facility for the Storage Year or remaining part of the Storage Year pursuant to applications for Storage Capacity under the relevant Storage Terms;
  - (ii) on a daily basis throughout the Storage Year, details for each Constrained Storage Facility of Storage Users' aggregate Storage Capacity, injections, withdrawals and gas-in-storage; and
  - (iii) where the Top-up Manager so requests, details of the Applicable Total Storage Space, the Applicable Total Storage Deliverability and Maximum Injection Rate of each Constrained Storage Facility;
- (b) the operator of each LNG Importation Facility will provide to the Top-up Manager:
- (i) where the Top-up Manager so requests, the details of the amounts of aggregate LNG Importation Capacity allocated to LNG Importation Users for each Constrained Storage Facility for the Storage Year or remaining part of the Storage Year pursuant to applications for LNG Importation Capacity under the relevant LNG Importation Terms;
  - (ii) on a daily basis throughout the Storage Year, details for each Constrained Storage Facility of LNG Importation Users' aggregate LNG Importation Capacity, injections, withdrawals and gas-in-storage; and
  - (iii) where the Top-up Manager so requests, details of the Applicable Total Storage Space, the Applicable Total Storage Deliverability and Maximum Injection Rate of each Constrained Storage Facility;

1.5.3 Each Storage Operator and the operator of each LNG Importation Facility shall ensure that its Storage Terms and LNG Importation Terms permit the disclosure by the Storage Operator and the operator of each LNG Importation Facility to the Top-up Manager of the information referred to in paragraph 1.5.2(a) and (b).

1.5.4 The provisions of paragraphs 2 and 3 shall apply only to those Constrained Storage Facilities that are Storage Facilities. The provisions of paragraph 4 shall apply only to those Constrained Storage Facilities that are Transco LNG Storage Facilities. The provisions of paragraphs 5 and 6 shall apply only to those Constrained Storage Facilities that are LNG Importation Facilities.

## 2 CONSTRAINED TOP-UP STORAGE REQUIREMENTS

### 2.1 Total storage requirements

2.1.1 For each Storage Year the Top-up Manager will determine the Constrained Storage Requirement. The Constrained Storage Requirement shall be specified in the Constrained Storage Statement.

2.1.2 For the purposes of this Section P, for each Storage Year, the "Constrained Storage Requirement" in respect of a Constrained Storage Facility is the amount of Storage Space (as shown in the Constrained Storage Statement) which Transco estimates is required with a view to avoiding a Transportation Constraint arising in the constrained LDZ(s) on any Day the basis of demand not exceeding 1-in-20 peak day demand at System Exit Points (other than Interruptible Supply Points) in such LDZ(s).

## 2.2 Constrained top-up requirements

2.2.1 After the Storage Operator has allocated Storage Capacity for a Storage Year to Transco for Operating Margins Purposes and Storage Users pursuant to the Annual Storage Invitation (or equivalent), the Top-up Manager will determine, by not later than 31st May in the relevant Storage Year, on the basis of Storage Capacity allocated by each Storage Operator to Transco for Operating Margins Purposes and to Storage Users pursuant to the relevant Storage Terms prior to such date:

(a) whether, and if so the amount (the "Constrained Top-up Space Requirement ") by which, Allocated Storage Space in each Constrained Storage Facility is less than the Constrained Storage Requirement; and

(b) the amount (the "Constrained Top-up Deliverability Requirement") of Storage Deliverability in each Constrained Storage Facility associated with the Constrained Top-up Space Requirement in that facility.

2.2.2 For the purposes of paragraph 2.2.1, "Allocated Storage Space" in respect of a Constrained Storage Facility is the aggregate amount at 1st May in the relevant Storage Year of Storage Space allocated by the relevant Storage Operator to Storage Users at that Constrained Storage Facility in respect of the Storage Year pursuant to applications, in accordance with the relevant Storage Terms other than to Transco for Operating Margins Purposes.

2.2.3 Following the time at which the Top-up Manager makes its determination in respect of a Storage Year under paragraph 2.2.1, where a User is registered as holding additional Storage Space in a Constrained Storage Facility:

(a) pursuant to an application to the relevant Storage Operator; or

(b) following the surrender of Storage Space by the Top-up Manager under paragraph 4,

the Constrained Top-up Space Requirement in respect of the Constrained Storage Facility shall be reduced from such time by an amount equivalent to the additional Storage Space registered as held by the User. In addition, the Constrained Top-up Deliverability

Requirement shall be reduced from such time by the amount of Storage Deliverability associated with the amount of Storage Space by which the Constrained Top-up Space Requirement is reduced.

### 2.3 Constrained Top-up Storage Capacity

2.3.1 Subject to paragraph 2.3.2, the Top-up Manager will, no earlier than the start of the Storage Year and no later than 31st October in the Storage Year, apply for and will be registered as holding:

- (a) Storage Space in each Constrained Storage Facility equal to the Constrained Top-up Space Requirement for that facility; or
- (b) Storage Deliverability in each Constrained Storage Facility equal to the Constrained Top-up Deliverability Requirement for that facility.

2.3.2 In the event that at the date of a Top-up Manager's application:

- (a) the Uncommitted Storage Space at a Constrained Storage Facility is less than the Constrained Top-up Space Requirement for that Constrained Storage Facility; or
- (b) the Uncommitted Storage Deliverability at a Constrained Storage Facility is less than the Constrained Top-up Deliverability Requirement for that Constrained Storage Facility

the Storage Space or (as the case may be) Storage Deliverability which the Top-up Manager will be registered as holding under paragraph 2.3.1 in that Constrained Storage Facility will be equal to the Uncommitted Storage Space or Uncommitted Storage Deliverability in that Constrained Storage Facility.

2.3.3 To the extent that there is a Constrained Top-up Space Requirement independent of the Constrained Top-up Deliverability Requirement, the Top-up Manager may (to the extent permitted by the relevant Storage Terms) apply for interruptible Storage Space.

2.3.4 Where following the Transco LNG Invitation Close Date and after the date when the Top-up Manager has made an application for Storage Capacity in a Transco LNG Storage Facility, any Storage User applies for and is registered as holding Storage Capacity in that Transco LNG Storage Facility, paragraph 4.4 will apply.

### 2.4 Disposal and Carry-over

2.4.1 To the extent that the Top-up Manager has gas-in-storage in excess of its Weekly Minimum Requirement, the Top-up Manager may (but shall not be obliged to) dispose of such excess gas-in-storage in such manner and on such terms as it thinks fit.

2.4.2 To the extent that there is a Constrained Storage Requirement in a Constrained Storage Facility for a Storage Year, and the Top-up Manager has gas-in-storage in a Constrained Storage Facility at the end of the preceding Storage Year, then the Top-up Manager may (but shall not be obliged to) retain some or all of that gas-in-storage in the Constrained Storage Facility to cover some or all of the Constrained

Storage Requirement in a Constrained Storage Facility for the Storage Year in question.

## 2.5 Notification of Top-up Requirements

2.5.1 Where the Top-up Manager has identified a Constrained Top-up Space Requirement and a Constrained Top-up Deliverability Requirement in respect of a Constrained Storage Facility, the Top-up Manager will not later than 31st October in the Storage Year:

- (a) notify to Users the Constrained Top-up Space Requirement and the Constrained Top-up Deliverability Requirement for each Constrained Storage Facility, and the basis of calculation thereof; and
- (b) notify to Users the Storage Capacity held by it in each Constrained Storage Facility.

## 2.6 Procurement

2.6.1 The Top-up Manager will in or before the Storage Year make such arrangements ("**Constrained Top-up Gas Procurement Arrangements**") for the procurement of gas (in excess of any gas-in-storage carried over by the Top-up Manager pursuant to paragraph 2.4.2) for injection into the Storage Space allocated to it under paragraph 2.3 as it shall determine to be appropriate.

2.6.2 The Constrained Top-up Gas Procurement Arrangements may be integrated with Margins Gas Procurement Arrangements and the arrangements made by the Shrinkage Provider for the purchase of gas.

## 3 **CONSTRAINED TOP-UP INJECTION**

### 3.1 Basic injection

The Top-up Manager will arrange its injections (in accordance with the relevant Storage Terms) in respect of Storage Space allocated to it under paragraph 2.3.1(a) (after taking account of any gas-in-storage carried over by the Top-up Manager pursuant to paragraph 2.4.2 and any Top-up Gas Procurement Arrangements) on such basis as it shall in its discretion determine having regard to:

- (a) the requirement to secure injection of quantities in aggregate equal to its Storage Space;
- (b) the injection rules under the relevant Storage Terms;
- (c) the extent to which it has chosen to purchase gas under term and not spot arrangements (and the delivery terms of such term arrangements); and
- (d) any differences in the rates of injection charges at different times in the relevant injection periods.

## 4 **CONSTRAINED TOP-UP STORAGE IN TRANSCO LNG STORAGE FACILITIES**

### 4.1 Request

- 4.1.1 Subject as provided in this paragraph 4, any Storage User or User may request the Top-up Manager to surrender Storage Space and/or Storage Injectability, and/or Storage Deliverability to make a Storage Gas Transfer, (in each case only in relation of Transco LNG Storage Facility) in favour of such Storage User, on terms (as to payment and otherwise) in accordance with this paragraph 4.
- 4.1.2 A "**Constrained Top-up Storage Transfer**" is a surrender of Storage Space or Storage Injectability or Storage Deliverability, or a Storage Gas Transfer, or a combination thereof, by the Top-up Manager in favour of a Storage User (the "**Constrained Top-up Transferee Storage User**") in accordance with this paragraph 4.
- 4.1.3 The Storage User's request shall specify:
- (a) the identity of the Storage User;
  - (b) the relevant Constrained Storage Facility; and
  - (c) the Storage Capacity and/or quantity of gas subject to the proposed Constrained Top-up Storage Transfer.
- 4.1.4 The Top-up Manager may reject the Storage User's request:
- (a) where the request is not made in compliance with the requirements of paragraph 4.1.3;
  - (b) where the amount of Storage Space or Storage Injectability or Storage Deliverability or quantity of gas proposed to be subject to the Constrained Top-up Storage Transfer exceeds the Top-up Manager's Available Storage Capacity or gas-in-storage in the relevant Constrained Storage Facility, or the requirements of paragraph 4.2.4 are not complied with;
  - (c) where (after the proposed transfer) the remaining aggregate amount of unfilled Storage Space held by the Top-up Manager in all Constrained Storage Facilities will be less than the aggregate quantities of gas of which it is committed to take delivery (or to pay for if it does not take delivery) under its Constrained Top-up Gas Procurement Arrangements; or
  - (d) in accordance with Section V3.
- 4.1.5 The Top-up Manager will approve or (in accordance with paragraph 4.1.4) reject the Storage User's request and notify the Storage User of such approval or rejection not later than the Business Day after such request is made.
- 4.1.6 Where the Top-up Manager approves the Storage User's request the Top-up Manager's notice under paragraph 4.1.5 will constitute an offer to make a Constrained Top-up Storage Transfer in accordance with the Storage User's request.
- 4.1.7 The Storage User may accept the Top-up Manager's offer under paragraph 4.1.6 by notice to the Top-up Manager not later than the Business Day after the Top-up Manager's notice was given.

4.1.8 If the Storage User does not accept the Top-up Manager's offer in accordance with paragraph 4.1.7 such offer will lapse.

4.1.9 The Top-up Manager may, but shall not be obliged to, transfer Storage Deliverability or Storage Injectability as part of a Constrained Top-up Storage Transfer.

4.1.10 Where the Top-up Manager is a Storage User in relation to a Constrained Storage Facility other than a Transco LNG Storage Facility, where another Storage User at such facility requests the Top-up Manager to surrender Storage Space and/or Storage Injectability and/or Storage Deliverability and/or to make a transfer of gas (in a manner akin to a Storage Gas Transfer in accordance with Section Z) in favour of such Storage User, the Top-up Manager shall, but only to the extent permitted by the relevant Storage Terms, seek to give effect to such request as if it were a request made in respect of a Transco LNG Storage Facility under this paragraph 4.

4.1.11 Nothing in paragraph 4.1.10 shall be construed as requiring the Top-up Manager to seek any change to relevant Storage Terms such as to facilitate the taking of any of the actions referred to in paragraph 4.1.10

#### 4.2 Terms of transfer

4.2.1 Where the Storage User accepts under paragraph 4.1.7 the Top-up Manager's offer, on and with effect from the Day following the Day on which the Storage User notified its acceptance:

(a) the Constrained Top-up Transferee Storage User will be registered as holding and the Top-up Manager will cease to be registered as holding the Storage Space and/or Storage Injectability and/or Storage Deliverability subject to such offer; and/or

(b) the Top-up Manager and the Constrained Top-up Transferee Storage User will make in accordance with Section Z4.2 a Storage Gas Transfer in respect of the quantity of gas subject to such offer.

4.2.2 In accordance with paragraph 4.2.1(a), a Constrained Top-up Storage Transfer (as respects Storage Capacity) will not take effect as a Storage Capacity Transfer under Section Z4.

4.2.3 A Constrained Top-up Storage Transfer may only be made with effect from any Day between 1st May and 30th November in the Storage Year.

4.2.4 The following requirements must be satisfied in respect of a Constrained Top-up Storage Transfer:

(a) subject to paragraphs 4.3.3(a) and 4.4.4, where the Constrained Top-up Storage Transfer includes a Storage Gas Transfer, it shall also comprise a surrender of an amount of Storage Space not less than the Transferred Gas-in-Storage;

(b) the amount by which the Storage Space surrendered exceeds the amount of Transferred Gas-in-Storage under a Constrained Top-



up Storage Transfer shall not exceed the Top-up Manager's unfilled Storage Space in the relevant Storage Facility;

- (c) the ratio of Storage Space to Storage Deliverability for the Constrained Top-up Storage Transfer must be the same as the ratio of Storage Space to Storage Deliverability then held by the Top-up Manager at the relevant Constrained Storage Facility.
- (d) the amount of Storage Injectability proposed to be subject to the Top up Storage Transfer shall not exceed the amount which the Top up Manager may reasonably determine it requires to retain for the purposes of filling its Storage Space remaining after the Constrained Top-up Storage Transfer.

4.2.5 Where under a Constrained Top-up Storage Transfer the amount by which the Storage Space surrendered exceeds the amount of Transferred Gas-in-Storage.

- (a) the Top-up Manager will (if so requested by the Constrained Top-up Transferee Storage User, and unless otherwise agreed) notify to the Storage Operator (by way of a Storage Renomination in accordance with Section Z5.2) a proportionate reduction in the Storage Nomination Quantity for any Day (after the Day the Constrained Top-up Storage Transfer takes effect) in respect of which the Top-up Manager has made a Storage Injection Nomination;
- (b) if the Top-up Manager is unable (due to the provisions set out in Section Z5.2) to reduce the Storage Nomination Quantity for any Day (after the Day the Constrained Top-up Storage Transfer takes effect) in respect of which the Top-up Manager has made a Storage Injection Nomination, the Constrained Top-up Transferee Storage User shall pay to the Top-up Manager an amount equal to the amount of any Storage Overrun Charge and/or Storage Management Charge payable by the Top-up Manager pursuant to Section Z7.1 and Z7.3 in consequence thereof.

4.3 Transfer charges

4.3.1 Where a Constrained Top-up Storage Transfer includes a Storage Gas Transfer, the Constrained Top-up Transferee Storage User undertakes (by accepting the Top-up Manager's offer under paragraph 4.1.6) to pay to the Top-up Manager an amount equal to the quantity of Transferred Gas-in-Storage multiplied by the greater of:

- (a) 105% of Top-up WACOG; or
- (b) the sum of the price in pence/kWh which is equal to the highest Market Offer Price for a Market Transaction effected for the Day on which the Storage Operator makes the request for a Constrained Top-up Storage Transfer and the amount payable in pence/kWh to the Storage Operator in respect of the injection of a kWh into the relevant Top-up Storage Facility.

- 4.3.2 Such amount shall be payable as a single payment and shall be invoiced and paid in accordance with Section S.
- 4.3.3 Where a Constrained Top-up Storage Transfer includes a surrender of Storage Space or Storage Injectability or Storage Deliverability:
- (a) the Constrained Top-up Transferee Storage User shall become liable for Storage Charges in respect thereof with effect from such Constrained Top-up Storage Transfer;
  - (b) the Constrained Top-up Transferee Storage User shall in addition be liable for and pay to the Storage Operator the amount(s) payable in respect of the surrendered Storage Capacity by way of Storage Capacity Charges under Section Z2.6, on the basis that the User was registered as holding the transferred capacity pursuant to an application under Section Z3.7 made on the Day of the Constrained Top-up Storage Transfer under paragraph 4.2.1(a);
  - (c) the amount(s) payable by the Constrained Top-up Transferee Storage User under paragraph (b) shall be paid by the Storage Operator to the Top-up Manager.
- 4.3.4 For the purposes of this paragraph 4.3, the "Top-up WACOG" in respect of a Constrained Storage Facility is an amount calculated as the relevant costs of the Top-up Manager in accordance with paragraph 4.3.5 in respect of each Day (a "relevant Day") in the Storage Year up to and including the date on which the Top-up WACOG is calculated, divided by the amount of the Top-up Manager's gas-in-storage as at the date on which the Top-up WACOG is calculated.
- 4.3.5 In relation to each Constrained Storage Facility, the relevant costs of the Top-up Manager are the sum of the following amounts:
- (a) the aggregate of:
    - (i) the amounts (if any) paid by the Top-up Manager to Transco (for Operating Margins Purposes) in respect of Storage Gas Transfers made pursuant to Section K3.2; and
    - (ii) the quantity of Carry-over Top-up Gas multiplied by Top-up WACOG, and the amount of Carry-Across Gas (in respect of which the relevant Storage Facility is the deficit facility) multiplied by relevant Margins WACOG in respect of the surplus Storage Facility, in each case as at the last Day of such Storage Year;
  - (b) the relevant proportions of the amounts which have accrued due from the Top-up Manager pursuant to the Top-up Gas Procurement Arrangements in respect of quantities of gas delivered on relevant Days to the System and Acquiring Trade Nominations (irrespective of whether such amounts have been paid or have become due for payment by the Top-up Manager);

- (c) the amounts which have accrued due from the Top-up Manager in respect of any Storage Gas Transfers made on any relevant Day to the Top-up Manager;
- (d) the relevant proportions of the amounts payable by the Top-up Manager by way of Transportation Charges in respect of relevant Days (in respect of the delivery of gas to the System at System Entry Points and the offtake of gas from the System at Storage Connection Points for injection to Constrained Storage Facilities), determined on a daily basis;
- (e) the amounts paid or payable by the Top-up Manager by way of injection charges in respect of injection on relevant Days into the relevant Constrained Storage Facility and by way of withdrawal charges in respect of withdrawal on relevant Days of Carry-Across Gas from a surplus Storage Facility in relation to which the relevant Constrained Storage Facility is the deficit facility;
- (f) the amounts payable by the Top-up Manager by way of Balancing Charges in respect of relevant Days.

4.3.6 For the purposes of paragraph 4.3.5 "**relevant proportion**" in respect of a Constrained Storage Facility is the quantity injected by the Top-up Manager into that Constrained Storage Facility divided by the aggregate of the quantity injected by the Top-up Manager into all Constrained Storage Facilities on the relevant Day.

4.3.7 Where the amount of any relevant cost under paragraph 4.3.5 is not known by the date on which the Top-up WACOG is calculated, the Top-up Manager will use an estimate of such amount in calculating Top-up WACOG.

#### 4.4 Surrender on late booking at Transco LNG Storage Facilities

##### 4.4.1 Where at any time:

- (a) a Storage User is registered under Section Z3 as holding Storage Capacity pursuant to an application made after the Applicable Invitation Close Date, and
- (b) the Top-up Manager then or (pursuant to paragraph 4.4) later has unfilled Storage Space in an amount exceeding the aggregate quantity of gas of which it is committed to take delivery under its Constrained Top-up Gas Procurement Arrangements

the Top-up Manager will by so notifying the Storage Operator surrender and thereby cease to be registered as holding Storage Space in the amount under paragraph 4.4.2 and associated Storage Injectability (but not exceeding the Storage Injectability which such Storage User was so registered as holding) and associated Storage Deliverability (on the basis of the Top-up Manager's Storage Duration in the relevant Constrained Storage Facility but not exceeding the Storage Deliverability which such Storage User was so registered as holding).

4.4.2 The amount of Storage Space surrendered under paragraph 4.4.1 will be the lesser of:

- (a) the Storage Space which the Storage User was registered as holding under Section Z3.7, and
- (b) the excess amount of Storage Space referred to in paragraph 4.4.1(b).

4.4.3 Upon a surrender of Storage Capacity under paragraph 4.4.1 in relation to a Transco LNG Storage Facility the Storage Operator will pay to the Top-up Manager an amount determined as the amount which would be payable by a Storage User by way of Storage Capacity Charges under Section Z2.6 if the User applied for and was registered as holding that amount of Storage Capacity on the date of such surrender.

4.4.4 In the circumstances in paragraph 4.4.1(a), the Top-up Manager will (until such time, if any, as it has surrendered Storage Space in aggregate equal to the amount under paragraph 4.4.1(a)):

- (a) suspend the requirements of paragraph 4.2.4(a) and 4.2.3 in relation to the relevant Constrained Storage Facility, so that a Storage User may request a Constrained Top-up Storage Transfer comprising a Storage Gas Transfer without a corresponding surrender of Storage Space, provided that the Top-up Manager shall not be required to approve such a request other than in accordance with paragraph 4.1; and
- (b) where as a result of such a Storage Gas Transfer, the Top-up Manager is left with additional unfilled Storage Space in the relevant Storage Facility, surrender or further surrender Storage Capacity in accordance with paragraph 4.4.1.

4.4.5 The Top-Up Manager may but will not be required to surrender associated Storage Injectability and/or associated Storage Deliverability pursuant to paragraph 4.4.1. at a Constrained Storage Facility.

4.4.6 When entering into Storage Terms in respect a Constrained Storage Facility other than a Transco LNG Storage Facility, the Top-up Manager shall endeavour to ensure that such Storage Terms contain terms which give the Top-up Manager rights of an equivalent nature to those referred to in this paragraph 4.4, and the Top-up Manager shall not be under any obligation to only enter into Storage Terms which so provide and the Top-up Manager shall not be liable to Users in any respect should any other Storage Terms to which it is a party not so provide.

## **5 CONSTRAINED TOP-UP REQUIREMENTS IN LNG IMPORTATION FACILITIES**

### **5.1 Total gas delivery requirements**

5.1.1 For each Storage Year the Top-up Manager will determine the Constrained Gas Retention and Delivery Requirement. The Constrained Gas Retention and Delivery Requirement shall be specified in the Constrained Storage Statement.

5.1.2 For the purposes of this Section P, for each Storage Year, the "Constrained Gas Retention and Delivery Requirement" in respect of a LNG Importation Facility is the amount(s) of gas which Transco estimates is required to be retained in and delivered from that facility with a view to avoiding a Transportation Constraint arising in the constrained LDZ(s) on any Day the basis of demand not exceeding 1-in-20 peak day demand at System Exit Points (other than Interruptible Supply Points) in such LDZ(s).

5.2 Constrained top-up requirements

5.2.1 After the operator of a LNG Importation Facility has allocated LNG Importation Capacity for a Storage Year to LNG Importation Users, the Top-up Manager will determine, by not later than 1st March in the relevant calendar year, on the basis of LNG Importation Capacity allocated by the operator of that LNG Importation Facility to LNG Importation Users pursuant to the relevant LNG Importation Terms prior to such date:

(a) the amount (the "Constrained Top-up Gas Retention Requirement") of gas which Transco requires to retain in that LNG Importation Facility on each Day in each calendar month as part of the Constrained Gas Retention and Delivery Requirement; and

(b) the amount (the "Constrained Top-up Gas Delivery Requirement") of gas which Transco may require to be delivered to the System from that LNG Importation Facility on each Day in each calendar month as part of the Constrained Gas Retention and Delivery Requirement.

5.3 Constrained Top-up Storage Capacity

5.3.1 Having made its determination pursuant to paragraph 5.2, the Top-up Manager will enter into such Top-up Gas Retention and Delivery Arrangements with such LNG Importation User(s) and on such terms as the Top-up Manager may determine necessary to secure the Constrained Gas Retention and Delivery Requirement.

5.3.2 For the purposes only of Section R4, where the Top-up Manager has entered into Top-up Gas Retention and Delivery Arrangements with one or more LNG Importation Users:

(a) the Top-up Manager (and not the LNG Importation User(s)) shall be deemed to have:

(i) an amount of LNG Importation Space in the relevant LNG Importation Facility equal to the Constrained Top-up Gas Retention Requirement;

(ii) an amount of gas-in-storage in the relevant LNG Importation Facility equal to the lesser of the Constrained Top-up Gas Retention Requirement and the sum of the gas-in-storage of the LNG Importation Users with whom the Top-up Manager has entered into Top-up Gas Retention and Delivery Arrangements; and

(iii) an amount of LNG Importation Deliverability equal to the Constrained Top-up Gas Delivery Requirement;

(b) the Top-up Manager shall be deemed to be a LNG Importation User in respect of the LNG Importation Space, gas-in-storage and LNG Importation Deliverability deemed to be held by it pursuant to paragraph (a).

#### 5.4 Notification of Top-up Requirements

5.4.1 Where the Top-up Manager has identified a Constrained Top-up Gas Retention Requirement and a Constrained Top-up Gas Delivery Requirement in respect of a LNG Importation Facility, the Top-up Manager will not later than 31st October in the Storage Year notify to Users the Constrained Top-up Gas Retention Requirement and the Constrained Top-up Gas Delivery Requirement for each LNG Importation Facility which is a Constrained Storage Facility, and the basis of calculation thereof."

### **Section R**

*Amend paragraph 1.8.1 to read as follows:*

"Transco may be a Storage User in respect of Storage Facilities for Operating Margins purposes pursuant to Section K, as Top-up Manager pursuant to Section P or as Shrinkage Provider pursuant to Section N. Transco may be a LNG Importation User in respect of LNG Importation Facilities for Operating Margins purposes pursuant to Section K, as Shrinkage Provider pursuant to Section N, or as Top-up Manager pursuant to Section P."

*Amend paragraph 1.8.2 to read as follows:*

"Where Transco (as Storage User) has agreed (pursuant to the relevant Storage Connection Agreement or the relevant Storage Terms) with the Storage Operator, for Operating Margins Purposes or as Top-up Manager, terms and conditions for the provision of storage services which differ from the published standard Storage Terms applying to other Storage Users, copies of any such agreed differences shall be made available to Users on request."

*Amend paragraph 4.1.1 to read as follows:*

"The Isle of Grain LNG Importation Facility, together with the Storage Facilities for which Transco LNG Storage is the Storage Operator at Dynevor Arms and Avonmouth are each a "**Constrained Storage Facility**" in relation to a Storage Year for the purposes of this paragraph 4 and for the purposes of Section P."

*Amend paragraph 4.1.4 to read as follows:*

"Where any Storage Facility or LNG Importation Facility is to be a Constrained Storage Facility for a Storage Year, Transco will, not later than 1st March before the start of such Storage Year, publish a document (the "**Constrained Storage Statement**") containing the following details for each Constrained Storage Facility:

- (a) the "**Constrained Point(s)**", being a point or points on the NTS as identified by Transco as being relevant, for the purposes of this paragraph 4, to a Constrained Storage Facility;
- (b) the rate of flow ("**Constrained Threshold Demand Flow**") at a Constrained Storage Point at which Transco may make Constrained Storage Renominations in respect of the relevant Constrained Storage Facility;
- (c) the System Entry Capacity Charges in respect of the relevant Storage Connection Point or System Entry Point;
- (d) a percentage for each Week in the Winter Period for the purposes of paragraph 4.6.3; and
- (e) the Constrained Storage Requirement.(in respect of each Storage Facility that is a Constrained Storage Facility) and the Constrained Gas Retention and Delivery Requirement (in respect of each LNG Importation Facility that is a Constrained Storage Facility)."

*Amend paragraph 4.1.6 to read as follows:*

"This paragraph 4 shall not apply to Transco when acting for Operating Margins Purposes as a Storage User or LNG Importation User of a Constrained Storage Facility, and references in this paragraph 4 to Users do not include a reference to Transco when so acting; but references in this paragraph 4, other than in paragraph 4.6, to Users do include the Top-up Manager."

*Amend paragraph 4.7 to read as follows:*

"~~Not used~~The provisions of Section P3.2 shall apply."

## **Section Z**

*Amend paragraph 1.8 to read as follows:*

"Transco LNG 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."

*Delete the text of paragraph 3.7.10 and replace with "Not used".*

*Amend paragraph 5.4.6 to read as follows:*

"The restrictions under this paragraph 5.4 applying to late injections do not apply to the Top-up Manager or Transco for Operating Margins Purposes."

## **Transitional Document Part VII**

*Amend paragraph 5.10 to read as follows:*

"~~Not used~~5.10 Section P: Top-up Storage

5.10.1 Subject to paragraph 5.10.2, on any Day on which this Part VII applies the provisions of Section P shall be suspended and Old Section P shall apply; and for the purposes of this paragraph "Old Section P" means the provisions of Section P which applied immediately prior to the coming into effect of the Code Modification pursuant to which this paragraph has effect.

5.10.2 For the purposes of paragraph 5.10.1 the reference in Old Section P:

- (a) at paragraph 1.3.2 to the Top-up Manager being required to pay Flexibility Overrun Charges in accordance with Section B2.5 shall be deemed to be a reference to System Entry Overrun Charges in accordance with Section B2.10;
- (b) at paragraph 5.3 at 'E' to the Flexibility Overrun Charge shall be deemed to be a reference to the System Entry Overrun Charge."



Subject Matter Expert sign off:

*I confirm that I have prepared this modification report in accordance with the Modification Rules.*

Signature:

Date :

Signed for and on behalf of Relevant Gas Transporters:

**Richard Court**  
**Commercial Frameworks Manager**

Signature:

Date :