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### CODE MODIFICATION PROPOSAL No.0072

“Gas Allocations at LNG Storage Facilities in the Event of a Network Gas Supply Emergency”

Dear Julian,

Thank you for your invitation seeking representation with respect to the above Modification Proposal.

National Grid LNG Storage supports the implementation of Modification Proposal 0072. Below is National Grid LNG Storage’s detailed response to the Modification Proposal:

#### 1. The Modification Proposal

Following the removal of the “Top Up” regime and the introduction of the concept of Safety Monitors at Storage Facilities to protect domestic consumers’ gas supplies in the event of a 1 in 50 winter, the NEC now has powers to request a reduction of flows from Storage Facilities in a Potential Network Gas Supply Emergency in order to protect the Safety Monitors.

Section Z of the UNC does not anticipate this scenario. It assumes that only an increase in flows would be required in an emergency and requires LNG Storage to allocate gas in proportion to customer stocks. If the NEC requests a reduction in flows, this could result in Users who did not nominate on the day being allocated gas (including OM and SIU Managers), and those Users with nominations on the day potentially receiving less gas than they would otherwise have anticipated. This proposal amends the UNC so that in the event of the NEC requesting LNG Storage to reduce flows during a Network Gas Supply Emergency (including a Potential Network Gas Supply Emergency) (as defined in Section Q of the UNC), the gas which has flowed is allocated according to Users’ nominations for that Gas Day, as opposed to an allocation which is in proportion to their Gas in Store for the Day.

In the event that the NEC requests National Grid LNG Storage to reduce flows rather than cease altogether (for example if Constrained LNG was being used on that day), then flows after the time at which the curtailment became effective would be allocated pro-rata to nominations effective at that time for each National Grid LNG Storage Facility.

The Proposal does not change the existing UNC provisions where the NEC requests National Grid LNG Storage to increase flows.

We recognise that there may be some circumstances in which this proposal does not perfectly allocate gas between parties, especially in unusual circumstances, such as those which apply to the Scottish Independent Networks where LNG is delivered into tankers rather than the NTS. However we still consider this proposal represents an improvement over the current arrangements and consider that, for this winter, such issues can be resolved via discussions with the NEC. We expect to raise a further modification to fully consider all possibilities after the winter, pending the outcome of Ofgem's review of safety reserve requirements.

The Proposal also removes the existing ambiguity as to the circumstances in relation to a Potential Network Gas Supply Emergency in which paragraph Z6.7.1 applies.

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

As stated in the Modification Proposal, we consider that Proposal 0072, if implemented, will better facilitate the following relevant objective as set out in National Grid's GT Licence:

In respect of paragraph 1.a): we consider that this Proposal may improve "*the efficient and economic operation of the pipe-line system*" by ensuring gas is allocated to those Users who have placed nominations and thus reducing additional costs (from Imbalance charges and Entry Capacity Overrun Charges) to the Community above those which would be expected from a curtailment of flows.

In respect of paragraph 1.d): we consider that this Proposal might improve "*the securing of effective competition between relevant shippers*" by allocating gas between Users in a manner which is not unduly discriminatory.

## **3. The implications for Transporters and each Transporter of implementing the Modification Proposal.**

### **i. Implications for operation of the System**

We consider that the Proposal should reduce the role of the residual balancer by providing greater certainty of allocation for Users on a day when Safety Monitors are reached.

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

The proposal should reduce contractual risk for Users by ensuring allocations are in line with nominations (as far as is possible). Users would not be allocated in excess of their nomination and hence the risk of incurring an Entry Capacity Overrun Charge is not increased.

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

The proposal also provides clarity for ourselves as to the circumstances in which paragraph Z6.7.1 should be applied.

**6. Analysis of any advantages or disadvantages of implementation of the Modification Proposals**

**a. Advantages:**

The proposal will ensure Users are allocated as far as possible in accordance with the gas they have nominated for delivery when the NEC instructs National Grid LNG Storage to curtail flows in a Potential Network Gas Supply Emergency.

**b. Disadvantages:**

None Identified.

Please let me know if you, or the SME assigned to this Proposal, require any further information to enable preparation of the Final Modification Report.

Yours sincerely

Andrew McIntosh

cc. Ritchard Hewitt