

CODE MODIFICATION PROPOSAL No. 0212
“Revision of the Rough Storage Connection Agreement”
Version 1.0

Date: 01st May 2008

Proposed Implementation Date: 15 May 2008

Urgency: Urgent

Proposer’s preferred route through modification procedures and if applicable, justification for Urgency

Centrica Storage Ltd (CSL) requests that the Authority determines that this Modification Proposal should be classed as urgent on the basis that:

- there is a real likelihood of significant commercial impact upon Shippers and Customers if Rough storage users are unable to fully utilise additional capability to inject all available gas into Rough when market conditions dictate;
- Safety and security of the network is likely to be impacted if Rough is not full ahead of winter. Moreover, the gas network will have increased resilience during summer months (and more swing) should higher levels of gas in storage be permitted under this modification. This is because if Rough storage is used to balance the network (e.g. should non-storage supply sources not deliver to the network) then higher volumes of stored gas will be available than otherwise would have been the case; and
- This proposal is linked to an imminent date as Rough’s summer injection season is now underway. Given the current levels of stock in Rough any delay in implementation will increase the risk of Rough entering the traditional production season with storage stocks below the potential maximum.

Nature and Purpose of Proposal (including consequence of non implementation)

Under Section J 4.3.7 of the UNC, a Code Modification is required to amend the Network Exit Provisions in place between the Transporter and the relevant consumer or Connected System Operator. It is proposed that the existing Rough Storage Connection Agreement (SCA) is amended to accommodate an increase in the injection offtake rate of the Rough storage facility from 21MCMD to 26MCMD. For the avoidance of doubt CSL are not requesting firm exit rights at the Rough exit meter. Rather we seek to increase the permitted exit flows through the interruptible meter point to match what can be physically accommodated by both Rough storage and National Grid Gas, which in turn will be released to storage users.

The SCA increase is necessary to allow CSL to release the additional injection capability to storage users. This capacity has been created as a result of CSL’s ongoing incremental investment programme - enhancing the

capability of Rough storage was one of the key issues addressed in the Undertakings signed between Centrica Storage Ltd and the Secretary of State for Trade and Industry in 2003. Since the SCA was signed the Langed entry point has connected at Easington, significantly increasing the exit capability at the Rough system exit point. National Grid have confirmed in correspondence with CSL that National Grids network analysis indicates that this [increase to 26 mcm/d] will not impose any operational difficulties.

It had been our understanding that Modification Proposal 165V would have addressed this issue. This altered the current provisions in the UNC (section J 4.3.6) which allows the Permitted Ranges¹ within the Measurement Provisions section of the NEA or NExA to be increased with only the agreement of the Relevant Transporter and, in this case, the Storage Operator. However, on further investigation, it became apparent that a change in instantaneous flow rates is required as opposed to a change in the measurement range. The above provisions would not cover this requirement and a further UNC modification is required in order to enact an increase in injection rates. Urgent status is therefore requested to ensure this additional capability can be released to Rough storage users as soon as possible on a firm basis.

Rough's regulated contract for storage services (the Storage Services Contract or SSC) requires that the firm injection release to customers be set at midday the day before gas flow (D-1). If this modification is not approved then day ahead injection factors (and Users injection rates) will be limited to 21 mcm/d and users will only be able to access available increased rates on an interruptible basis within the day. This means that Users will be unable to secure day ahead gas for injection at the increased rate. As a result NGG will consistently be notified by users of an artificially reduced demand.

The consequence of non implementation is that the additional injection capability would not be made available to Rough customers as firm injection rates and would only be allocated on an interruptible basis on those occasions when CSL are allowed to flow above the existing SCA offtake maxima..

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

Access to gas storage is recognised as a key component of a well functioning energy market; it allows suppliers to compete for customers through lowering their costs through flexibility, facilitating their balancing operations and enables them to provide greater security of supply. In addition the safety monitor regime applies in respect of long range storage (i.e. Rough) and therefore sufficient stocks are paramount to efficient system operation.

¹ For the purposes of this paragraph 4.3.6, "Permitted Ranges" means the minimum and/or maximum ranges (as specified in the Network Exit Provisions) for each part of the metering, sampling, analysis and other equipment required by the Network Exit Provisions to be installed in respect of the relevant NExA Supply Meter Point.

Failure to implement this proposal would unnecessarily restrict the availability of gas in storage and reduce the economic and efficient operation of the GB gas market. As use of Rough storage is permitted to all system users through regulated contractual firm and interruptible service offerings delay in accepting this modification could impact on competition between system users – especially those customers who have made a firm booking of storage.

In particular non implementation would have a detrimental effect on the:

- availability of gas in store in both summer and winter and thereby its commercial availability to the network when users require to withdraw this gas;
- liquidity of the gas markets as lower than necessary storage stocks will impact on the 'supply' options available to users; and
- Efficiency in pricing outcomes in both forward and prompt markets. Given the risk premia built into forward markets inter alia on the perception of storage stocks and higher than necessary spot prices should storage supply not be a credible option on a particular gas day, because of low storage inventory levels.
- Flexibility available to the market on the gas day.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

CSL requests this modification be granted urgent status to ensure that the full injection capability be released to storage users. Given the time related nature of this modification we believe a timescale that would seek responses to the May Modification panel on the 15th May 2008 with a recommendation by the panel that day and with a decision as soon as possible thereafter.

Code Concerned, sections and paragraphs

The change would occur to CSL's SCA with National Grid.

Proposer's Representative

Roddy Monroe

Proposer

Sonia Youd