

Modification Report
Amendment to the Network Entry Agreement at St Fergus SAGE Terminal
Modification Reference Number 0256
Version 2.0

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

ExxonMobil Gas Marketing Europe Limited (EMGME) as a shipper at St Fergus, in consultation with Mobil North Sea LLC, the Delivery Facility Operator (DFO), has proposed that the Wobbe Number which forms a part of the Gas Entry Conditions at SAGE be amended to reflect the WN limits contained in the Gas Safety (Management) Regulations. The table below specifies the proposed changes:

Gas Quality Characteristic	Current Specification	Proposed Specification
WN Lower Limit	48.2 MJ/m ³	47.2 MJ/m ³
WN Upper Limit	51 MJ/m ³	51.41 MJ/m ³

EMGME believes that if this proposal is implemented, such that the changes can be incorporated within the appropriate network entry agreement, it would allow the Delivery Facility Operator the scope to process a wider range of offshore reserves and hence facilitate additional gas flows into the NTS, enhancing both security of supply and competition between gas shippers and suppliers.

The proposer does not think that there would be any measurable impact on CV shrinkage if this proposal were to be implemented, however, we would welcome National Grid's assessment on whether or not they would expect to see a measurable change in the costs of CV shrinkage if this proposal goes ahead.

2 User Pays

a) Classification of the Proposal as User Pays or not and justification for classification

This Proposal is relevant to the core function of the Gas Transporter, does not relate to any additional service offered by xoserve and therefore is not classified as User Pays.

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

Not applicable.

c) Proposed charge(s) for application of Users Pays charges to Shippers

Not applicable.

- d) **Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve**

Not applicable.

- 3 **Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

Users bringing gas into the system through the St Fergus SAGE facility might have a greater opportunity of increasing flows into the pipe-line system. This greater range of flow might better facilitate the achievement of this relevant objective.

Standard Special Condition A11.1 (b): so far as is consistent with subparagraph (a), the coordinated, efficient and economic operation of

(i) *the combined pipe-line system, and/ or*

(ii) *the pipe-line system of one or more other relevant gas transporters;*

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:

(i) *between relevant shippers;*

(ii) *between relevant suppliers; and/or*

(iii) *between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;*

By giving User bringing gas into the system through the St Fergus SAGE facility the potential of increasing flows, implementation may better facilitate the achievement of this relevant objective.

Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

Implementation would not be expected to better facilitate this relevant objective.

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

As a consequence of implementation, additional gas supplies from the UKCS may be brought ashore thus contributing to security of supply in the UK and assisting in the robust operation of the System.

No implications on industry fragmentation have been identified.

5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) Implications for operation of the System:

Widening the Wobbe range and thus increasing the potential for additional gas supplies to be brought in through the St Fergus SAGE terminal, would have a positive implication for the operation of the System

b) Development and capital cost and operating cost implications:

Implementation of this Proposal would have no such cost implications. This includes costs associated with CV Shrinkage. NGNTS, in its response, confirmed that implementation would not cause additional CV shrinkage and gave four reasons for arriving at this conclusion.

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

No costs have been identified.

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

No such consequences have been identified.

6 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

No such risks have been identified.

7 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

It is believed that the implementation of this Proposal would not have any impact on computer systems.

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

Administrative and operational implications (including impact upon manual processes and procedures)

No such impact has been identified.

Development and capital cost and operating cost implications

Implementation might reduce the current costs associated with curtailment of potential flows or additional gas treatment due to the Wobbe range being set tighter than is necessary.

Consequence for the level of contractual risk of Users

Relaxation of the Wobbe range would be expected to reduce the level of contractual risk of Users.

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

The expansion of the Wobbe range for gas coming into the St Fergus SAGE Terminal would allow the Delivery Facility Operator the scope to process a wider range of offshore reserves and thereby allow additional gas to be economically produced to the benefit of both Code and Non-Code parties.

10 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

No such consequences have been identified.

11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

As identified above.

Disadvantages

No disadvantages have been identified.

12 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:

BP Gas Marketing Ltd	BPG	Support
British Gas Trading Limited	BGT	Support
ExxonMobil Gas Marketing Europe Ltd	EMGME	Support
National Grid Distribution	NGUKD	Support
National Grid NTS	NGNTS	Support
RWE npower	RWE	Support
Scotia Gas Networks plc	SGN	Support
Scottish and Southern Energy plc	SSE	Support

The 8 respondents were unanimous in their support of implementation.

13 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

No such requirement has been identified.

14 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

No such requirement has been identified.

15 Programme for works required as a consequence of implementing the Modification Proposal

No programme for works would be required as a consequence of implementing the Modification Proposal.

16 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

This Proposal could be implemented with immediate effect following direction from Ofgem.

17 Implications of implementing this Modification Proposal upon existing Code Standards of Service

No such implications have been identified.

18 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

At the Modification Panel meeting held on 20 August 2009, of the 8 Voting Members present, capable of casting 10 votes, 10 votes were cast in favour of

implementing this Modification Proposal. Therefore the Panel recommended implementation of this Proposal.

19 Transporter's Proposal

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

20 Text

No change to the existing UNC text would be required if this Proposal was to be implemented.

For and on behalf of the Relevant Gas Transporters:

Tim Davis

Chief Executive, Joint Office of Gas Transporters