

Transco Network Code Supplemental Report For Reconsideration of Modification No. 0608

"Amendments to LNG Services from 2003/4"
Version 1.0

1 Background to the Modification Proposal

Modification Proposal 0608 was originally submitted to Ofgem on 28 March 2003, with a request that if approval were considered appropriate, it should be given prior to the Annual Storage Invitation for 2003/04. The Proposal recommended an implementation date of 1 May 2003.

As a decision on the Proposal was not made prior to the allocation of LNG Storage Capacity, Transco considered that under the Network Code Modification Rules there had been a material change in circumstances from those surrounding the original consultation. Namely, Storage Users had responded to the 2003/04 Annual Storage Invitation on the basis of existing Network Code provisions, and were therefore unable to take into account the provisions for additional flexibility of injection contained within the Proposal. A Further Consultation would allow Users, including Storage Users, to reconsider their responses in the light of current bookings of LNG Storage Capacity and the current injection programme. Transco recommended to the June Network Code Panel that the Proposal be the subject of Further Consultation. This recommendation was accepted and a Further Consultation was issued on 24 June with a closeout date for representations of 8 July. In addition, respondents were asked to comment on their preferred implementation date.

2 Summary of Representations

One response from British Gas Trading (BGT) was received to the Further Consultation, which confirmed that its stance had not changed from its original response and that this Proposal should not be implemented in its current form.

Whilst not in support of implementation of this Proposal, BGT commented that should this Proposal be implemented "it may not be desirable to implement the modification proposal mid-way through the storage year. However, BGT feels that some storage users may wish to commence injection prior to 1 May 2004. For this reason we feel that an effective implementation date of 1 April 2004 would be more appropriate, as this would provide a consistent injection regime from the beginning of the next injection period and have minimal impact on current storage bookings for the 2003/04 storage year."

3 Transco Opinion and Recommendation Concerning the Implementation of the Modification Proposal

After considering both the initial responses and the additional response, Transco remains of the opinion that this Proposal should be implemented. Transco supports the view that it may not be desirable to implement this Proposal other than at the start of the Storage Year. Transco therefore advocates implementation of this Proposal with an implementation date of 1 May 2004. Transco notes the concern that there might be benefits in affording Users with the opportunity to inject in April of each year. Should

this Proposal be implemented with effect from 1st May 2004 then the opportunity to inject in April 2004 would be as currently defined in Section Z 5.9, and in subsequent years by the equivalent clauses that will constitute Section Z 5.4 in the Network Code should it be amended as a result of implementation of this Proposal.

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