

Draft Modification Report
LNG Withdrawal Ramp Rates
Modification Reference Number 0534
Version 1.0

This Draft Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

It is proposed that changes in withdrawal nominations at Transco LNG facilities be subject to ramp rate restrictions. These restrictions would be based upon the physical ability of send-out plant at the LNG facility to accommodate changes of flow. Transco LNG would publish details of these ramp rates in its Annual Storage Invitation.

Transco LNG would have the right to reject any change in withdrawal nomination or if the change could be physically accommodated by the plant, it would reserve the right to make an overrun charge. Such overrun charges would also be published in the Annual Storage Invitation.

Implementation of this Modification Proposal would not affect the restrictions for output nominations as detailed in Section C of the Network Code and the Storage Operator would still be responsible for ensuring that the total quantity withdrawn was subject to the requirements of its Storage Connection Agreement including any ramp rate criteria.

2. Transco's Opinion

Transco believes that implementation of this Modification Proposal would lead to an improvement in the clarity of services offered by Transco LNG. This would in turn lead to Users improving their valuation of Transco LNG services and this would be reflected in the prices obtained in the Annual Storage tenders.

3. Extent to which the proposed modification would better facilitate the relevant objectives

By improving the definition of Transco LNG Services, Users would be better positioned to attach a value to these services. This improvement in information would influence the actions of potential storage users in the Annual Storage Invitation process and in their decisions on use of services provided by other parties. This would better facilitate the securing of effective competition between relevant shippers.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

Transco is not aware of any implications for the operation of the System.

b) development and capital cost and operating cost implications:

Transco is not aware of any further development, capital or operating costs that would arise from the implementation of this Modification Proposal.

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

Transco does not intend to recover any development costs from Users.

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

Transco is not aware of any consequences that this proposal would have on price regulation.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal

This Modification Proposal would not affect Transco LNG's contractual risk under the Network Code.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

Transco has already developed computer systems which have the flexibility of accommodating the proposed changes.

7. The implications of implementing the Modification Proposal for Users

Users would be offered a storage service better matched to the ability of storage plant to deliver changes in flow rate.

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

Users may wish to pass on any additional costs to Suppliers and Consumers.

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

Transco is unaware of any effect on the legislative and regulatory obligations and contractual relationships of Transco and each User and non-Network Code party of implementing the Modification Proposal.

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

Advantage: Would reduce exposure to commercial risks from failure to flow for both Transco LNG and Users.

Disadvantage: The proposed regime would be more restrictive than present arrangements.

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

Transco now invites representations to this Modification Proposal.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

Transco does not believe that implementation of this Modification Proposal is required to enable Transco to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

Transco does not believe that implementation of this Modification Proposal is required in respect of any proposed change in the methodology established under the Standard Condition 4(5) of the statement; furnished by Transco under Standard Condition 4(1) of the Licence.

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

Transco is not aware of any programme of works that would be required as a consequence of implementing the Modification Proposal.

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

It is proposed that Transco LNG introduces withdrawal ramp rates, based on firm bookings, to the LNG Storage Service from 1st May 2002. Transco is not aware of any systems changes that would be required as a result of this Modification Proposal.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal is implemented with effect from 1 May 2002. An early decision from Ofgem would assist potential storage users to clarify the services available from Transco LNG for the Storage Year 2002-2003.

17. Text

Legal Text

SECTION Z: TRANSCO LNG STORAGE FACILITIES

Amend paragraph 6.2.5 to read as follows:

“...:

(a) the “**available withdrawal rate**” for any hour is the rate (in kWh/hour)
...:

(i) the Available Storage Deliverability divided by 24 and
multiplied by the ramp factor for the hour in question; and

(ii) ...;

(1) the maximum permissible Nomination Quantity
thereunder divided by 24 and multiplied by the ramp
factor for the hour in question;

(2) ... until the end of the Gas Flow Day and multiplied by
the ramp factor for the hour in question.

(b) the “**implied withdrawal rate**” for any hour is the prevailing
withdrawal rate for that hour plus ... the incremental withdrawal rate
for that hour;

(c) the “**prevailing withdrawal rate**” for the hour in question is:

(i) ... had made no Storage Withdrawal Nomination, zero)
multiplied by the ramp rate for the hour in question and then
multiplied by the implied withdrawal rate factor;

(ii) ...;

- (d) the “**incremental withdrawal rate**” for any hour is the rate . . . divided by the relevant period multiplied by the ramp factor for the hour in question and then multiplied by the implied withdrawal rate factor;
- (e) . . .;
- (f) the “**ramp factor**” for each hour in a Gas Flow Day shall be notified by Transco LNG Storage to users no later than the LNG Storage Withdrawal Nomination Time for the Gas Flow Day in question and shall be a factor of no less than 0 and no greater than 1; and
- (g) the “**implied withdrawal rate factor**” is the number of hours in the relevant period divided by the sum of the ramp factors in the relevant period.”

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report

Signed for and on behalf of Transco.

Signature:

Tim Davis
Head of Regulation NT&T

Date: