

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0395
"Removal of Storage Nomination Arrangements"
Version 3.0

Date: 18/04/2000

Proposed Implementation Date: 01/06/2000

Urgency: Non-Urgent

Area of Network Code Concerned

Section R: Storage - para(s) 1.3; 2.1 & 4

Nature of Proposal

Under current Network Code provisions, if a Storage Nomination Arrangement (SNA) has been elected in relation to a Storage Connection Point (SCP), each User submitting a Storage Nomination to Transco authorises Transco to provide to the relevant Storage Operator, or inform the relevant Storage Operator of, the Nomination. With the exception of SCPs, Transco does not manage information flows on behalf of Users beyond Transco's System.

The aim of the proposal is to remove the mechanism by which Transco informs a third party Storage Operator of Users Nominations at SCPs. The removal of the SNA provisions from the Network Code would facilitate the consistent treatment of SCPs in relation to other Entry and Exit Points on Transco's System. Therefore, Transco proposes to remove the SNA provisions from the Network Code.

Removal of the SNA provisions from the Network Code would result in Transco no longer passing Storage Nominations to Storage Operators. System Users are required to create and submit transportation Nominations to Transco which provide details of quantities of gas to be delivered to or off taken from the System. Following the proposed removal of the SNA provisions, Users of Storage Facilities would submit Storage Nominations direct to the relevant Storage Operator for injections and withdrawals from the Storage Facility. Shippers would create and pass these Storage Nominations directly to the relevant Storage Operators independently of AT Link.

To coincide with the removal of the SNA provisions an alternative mechanism would be required by which Constrained Storage Facilities (CSF) are managed. Transco proposes that Users be required to actively manage their own inventory levels, i.e. Users would be required, via provisions in the Network Code, not to submit Storage Nominations which would cause them to breach their Weekly Minimum Requirement at any Constrained Storage Facility.

It is not envisaged that this proposal would lead to an increase in workload or costs for Users. Users know the level of their bookings at Storage Facilities and the constrained percentage of those bookings where relevant. To date there has been no instance of a User submitting a Nomination which would cause a breach of its Weekly Minimum Requirement. This indicates that Users have pro-actively managed their own inventory levels.

Users of CSFs, via the relevant Storage Terms, would be required to authorise the Storage Operator to manage their Weekly Minimum Requirement. The authorisation would enable the Storage Operator to constrain off withdrawals, i.e. by rejecting or revising any Storage Nominations that would breach that Shipper's Weekly Minimum Requirement. It is envisaged that a corresponding requirement would be inserted into the SCA requiring Storage Operators of CSFs to manage their customers Weekly Minimum Requirement.

Where a Shipper's Storage Nomination is revised or rejected by the Storage Operator at a Constrained Storage Facility, it would be the responsibility of the relevant Shipper to submit a corresponding transportation Renomination to Transco. Upon agreement with a Shipper the Storage Operator could be appointed as the Shipper's User Agent for the purpose of revising the transportation Nominations submitted to Transco via AT Link.

The Generic Storage Connection Agreement (SCA) provides that Storage Operators will provide to Transco "such details of the quantity of stored gas constrained in the Storage Facility as Transco may from time to time require". This includes "such information as is necessary to enable Transco to comply with its current Safety Case". The Storage Operator would be required, via the SCA, to inform Transco in the event of a Shipper's Weekly Minimum Requirement being breached so that Transco may ensure that the appropriate action is taken.

It is proposed that to 'constrain on', Transco would notify the relevant Storage Operator of the Gas Day and start time when the Constrained gas is required, the required flow rate, the End of Day Quantity and the Constrained Storage Facility from which the constrained gas is to flow. The Storage Operator would determine what volume of gas to flow on behalf of each User of the Constrained Storage Facility, inform Transco of each User's gas flow and then flow the gas as required by the Constrained Storage Renomination. This would be a requirement of the SCA. Transco would create the required transportation Nominations on AT Link on behalf of Shippers that have been constrained on.

Users of CSFs, via the relevant Storage Terms, would be required to authorise Storage Operators of CSFs to flow gas on their behalf at the request of Transco.

If this Modification Proposal is implemented, the Generic Storage Connection Agreement would need to be amended to reflect the changes implemented by this Modification Proposal.

Justification

The removal of the SNA provisions from the Network Code would facilitate consistency in the service provided to Users of SCPs relative to the service provided at all other Entry and Exit Points on Transco's System. If the SNA provisions are removed from the Network Code, an alternative mechanism would be required by which Constrained Storage Facilities would be managed as the current Network Code Provisions rely on the existence of a SNA.

Further, the removal of the SNA provisions would help to facilitate consistency in the terms by which new Storage Operators connect to Transco's System.

Consequence of not making this change

If the SNA provisions remain in the Network Code, the treatment of Storage Connection Points (SCPs) will continue to be inconsistent with all other System Entry and Exit Points:

With the exception of SCPs, Transco does not manage information flows on behalf of Users beyond System Entry and Exit Points. Transco therefore provides a service at SCPs, via the SNA provisions, which is not available at any other System Entry or Exit Point. On this basis, the SNA provisions arguably discriminate between Users of the various System Entry and Exit Points on Transco's System.

If the SNA provisions remain in the Network Code, Users of the System Points where the SNA service is offered may gain a commercial advantage which would not be available at other System Entry and Exit Points on Transco's System. Transco would continue to pass Nomination information directly to the Storage Operator on behalf of the relevant Shippers. The SNA service reduces the risk of the relevant Shippers incurring Balancing Charges or increased Balancing Neutrality Charges. A direct consequence is that Storage Operators of Storage Facilities which offer the SNA service would have a commercial advantage over Operators of other System Points connecting to Transco's System that could not offer the same service.

Removal of the SNA would provide Shippers with the opportunity to create and submit Storage Nominations directly to the Storage Operators and transportation Nominations to Transco separately; a process which is consistent with all other Entry and Exit Points on Transco's System.

Purpose of Proposal

Implementation of this Modification Proposal would better facilitate Standard Condition 7 (1)(b) of Transco's PGT Licence by ensuring the consistent treatment of Shippers as required by Standard Condition 11 (1).

The purpose of this Modification Proposal is to remove the SNA provisions so as to facilitate consistency of service provided to all Users of Transco's System and to facilitate consistency of terms by which new Storage Operators connect to Transco's System.

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Signature

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