

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 390

SHORT TITLE: LNG Services In 2000/01

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| DATE: | 28th February 2000 |
| PROPOSED IMPLEMENTATION DATE: | 20th March 2000 |
| URGENCY: | Urgent procedures requested. |

JUSTIFICATION OF URGENT STATUS:

Following Ofgem's review of LNG, and its November 1999 proposals document, Transco proposes to change the way LNG services are sold together with the methodology for calculating transportation credits at Constrained LNG Facilities (see PC52). Consultation on the substantive changes for Storage Year 2000/01 is being conducted elsewhere; this proposal includes minor, supporting changes, which are nevertheless urgent, due to the limited time available before 1 May for shippers to consider their requirements and for Transco LNG to carry out the sale of LNG capacity.

It is envisaged that all LNG related consultations will close on 7 March, to facilitate a decision on all matters affecting LNG services for Storage Year 2000/01 shortly thereafter.

NATURE OF PROPOSAL:

The legal text attached provides:

1. For year 2000 only: (i) Annual Storage Invitation to be issued by 14 April (rather than 1 March), and the requirement for it to be open for 30 days waived. (In practice, Transco LNG intends to issue the invitation by the end of March, and allow 30 days for bids to be registered, but the proposed legal drafting provides a contingency in case this is not achieved.); (ii) Consequent delays to notifications of injection programmes and start of Injection Period delayed from 1 to 8 May;
2. Price tender to be pay as bid (instead of pay clearing price);
3. Derogation from Section B1.8.2 of the Network Code to allow the revised transportation credits proposed in PC52, if not vetoed, to be introduced as soon as practicable rather than after two months notice;
4. Storage capacity to be allocated first to Transco for Operating Margins and SIU's, then to other Users; Transco to pay the fixed prices specified in Special Condition 9D of the Transco PGT licence (i.e. the prices paid by all Users in previous years). Non-Transco users of the Glenmavis tanker service to have the option of buying Space only at the previous fixed price, rather than bundled Space and Deliverability in the price tender.
5. Transco LNG to make an interruptible space charge on a daily basis for uncovered gas-in-storage brought forward from the previous year, and notify the charge rate for each month by 20th day of the previous month. Transco LNG intends the charge rate to be zero for May, June and July 2000.

PURPOSE OF PROPOSAL:

This modification is required in order to deliver significant changes to LNG services for Storage Year 2000/01, including pay-as-bid auctions and revised transportation credits at Constrained LNG Facilities proposed in PC52. This proposal therefore supports other substantive changes to LNG services Transco has recently proposed as an interim solution for 2000/1.

The interruptible space charge for uncovered gas-in-storage carried forward from the previous year is intended to encourage timely decisions on capacity booking.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

Without this change (and derogation from Special Condition 9D of its licence) Transco is obliged to issue a fixed price invitation to tender for LNG capacities. The likely consequence is under-utilisation of LNG capacity.

AREA OF NETWORK CODE CONCERNED:

Section Z

Transition Document

IDENTITY OF PROPOSER'S REPRESENTATIVE: Ian Hopkins

PROPOSER: Brian Withington

SIGNATURE:

POSITION: Director, RGTA

COMPANY: Transco

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number: 0390

Date Received: 28th February 2000

PROPOSED LEGAL TEXT:

Section Z

In paragraph 3.5.2, delete “or to pay the relevant Market Clearing Price as determined under paragraph 3.5.11 if less.”

Delete paragraph 3.5.11, and renumber paragraph 3.5.12 as 3.5.11.

[Something for point 4 of the proposal, and remove references to Operating Margins from 3.4 and 3.5.]

[Something for point 5 .]

Transition Document Part II

Add the following new paragraph:

8.20 Section Z: BGS LNG Facilities

8.20.1 Z3.1 For the Storage Year commencing 1st May 2000 the date by which (for the purposes of Section Z3.1.1) the Annual Storage Invitation is to be issued is 14th April 2000 (and not 1st March 2000), and the requirement of paragraph 3.1.3(a) for the Invitation Close Date to be not less than 30 Days after the date of the invitation does not apply.

8.20.2 Z5.2.1 For the Storage Year commencing 1st May 2000 the “Injection Period” shall commence on 8th May 2000 (and not 1st May 2000).

8.20.3 Z5.4.2 Each User may, not later than 12:00 hours on 2nd May 2000, notify to BG Storage a requested change in respect of 8th to 31st May 2000 to the Provisional Injection Programme in respect of any BGS LNG Facility.

8.20.4 Z5.4.8 Not later than 12:00 hours on 3rd May 2000 BG Storage will provide to each User the Confirmed Injection Programme, specifying the Confirmed Injection Quantity for each Programmed Injection Day of the period 8th to 31st May 2000 for each BGS LNG Facility.

8.20.5 B1.8 In respect of Pricing Consultation 52 the requirement in Section B1.8.2 that the notice to be given by Transco pursuant to the Transco Licence in relation thereto be given not less than 2 months prior to the proposed date of implementation shall not apply and Transco shall instead give such notice as far in advance of the date on which the proposals contained therein are to be implemented as is reasonably practicable.