

**CODE MODIFICATION PROPOSAL No. 0052**  
"Storage Withdrawal Curtailment Trade Arrangements in an Emergency"  
Version 5.0

**Date:** 25/10/2005

**Proposed Implementation Date:** 21/11/2005

**Urgency:** Urgent

**Proposer's preferred route through modification procedures and if applicable, justification for Urgency**

(see the criteria at [http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752\\_Urgency\\_Criteria.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf))

E.ON UK request that this Modification Proposal be granted urgent status by the Authority as we believe that this proposal should be implemented prior to Winter 2005/06 peak demand periods. Without implementation of this proposal we believe that shippers would be perversely incentivised to withdraw gas from storage earlier than might otherwise have been the case in the lead up to a possible Network Gas Supply Emergency (NGSE). This may precipitate a NGSE by causing a breach of (or indeed an anticipated breach of) Safety Monitors.

We would ask the Authority to agree to the proposed timetable outlined below which would include some opportunity to refine aspects of the proposal, e.g. in relation to calculation of the Storage Withdrawal Curtailment Quantity (SWCQ) and any possible requirement to establish a Storage Withdrawal Curtailment Quantity Methodology and/or a quantity dispute process.

*Following Transmission Workstream meetings convened on 13, 19 and 21 October 2005 to refine this proposal, it is not proposed to establish a separate SWCQ Methodology as it was considered more appropriate to define all substantive commercial terms within the UNC itself. Rather than establish a new quantity dispute process, the proposal envisages a reconciliation process to allow SWCQ values (which necessarily would be best estimates) to be adjusted after the Day and rely on the existing UNC General Terms Section A - Disputes Resolution process to settle any remaining unresolved matters.*

**Nature and Purpose of Proposal (including consequence of non implementation)**

*References in this proposal to "Day", "within Day", "on the Day" and "Gas Flow Day" refer to the Day beginning at 06:00 hours on one day and ending just before 06:00 hours on the following day.*

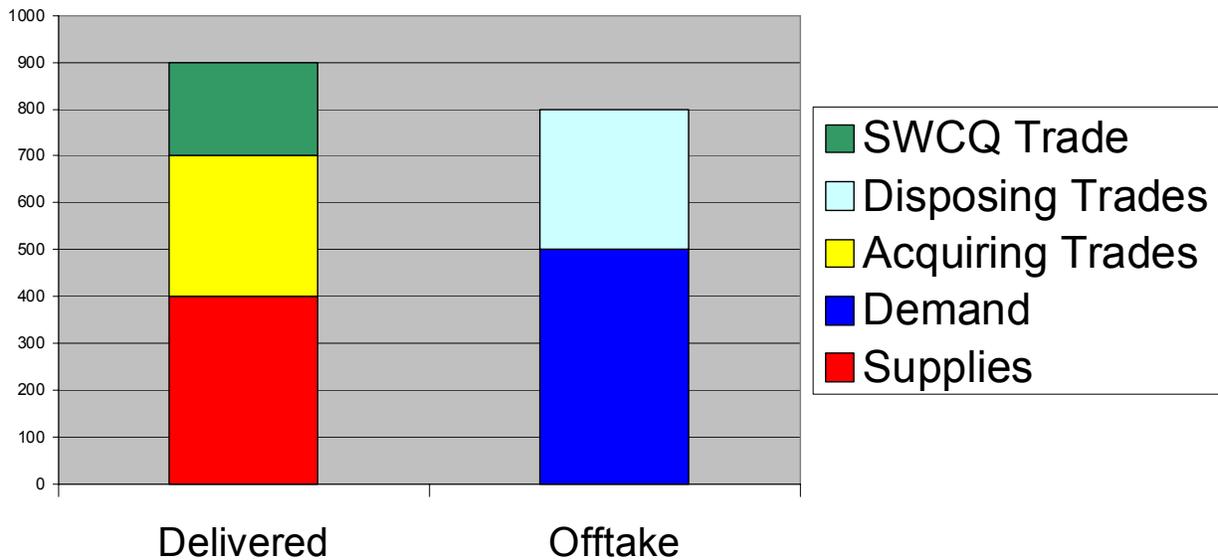
*Reference to "relevant Storage Facilities" are those Storage Facilities that are subject to Storage Withdrawal Curtailment on a given Day of a NGSE and "relevant Storage Operators" are the operators of those Storage Facilities.*

The aim of Modification 0044 was to encourage shippers to facilitate an early demand side response should there be a general shortage of gas on the system thereby helping the Network Emergency Coordinator (NEC) avoid the need to declare a NGSE. With the implementation of Modification 0044, shippers face extremely strong incentives to avoid going short in an emergency as any such short position would be cashed out at SMP Buy price. Furthermore during an emergency, daily metered demand curtailed by transporters prior to shipper curtailment (the Emergency Curtailment Quantity (ECQ)) would be deemed to have been sold

by the relevant shipper to Transco NTS at the 30 Day System Average Price, so that shippers do not ‘benefit’ from such actions taken by the relevant transporter under Emergency Procedures. At the same time and without any financial compensation from Transco NTS (via the cash-out mechanism or otherwise), shippers would almost certainly be prevented by the NEC from withdrawing gas from store<sup>1</sup>. This is despite the fact that shippers would typically have planned to use storage withdrawals to help balance their position when supplies are tight. In effect, shippers would arbitrarily be prevented from using storage flexibility when they most needed it. No such ‘physical’ restrictions are placed on shippers’ use of other forms of flexibility such as increasing beach deliveries (‘swing’) or reducing demand through commercial interruptions during an emergency. Indeed, the changes introduced with Modification 0044 actively encourage shippers to make use of these substitute forms of upward flexibility.

Under the new arrangements, even the most prudent of shippers could face SMP Buy cash-out exposure because of the inability to access storage flexibility. Thus it is important that the quantity of flexibility shippers find themselves unable to use (the SWCQ) is instead acquired by the shipper from the NBP and charged at a broadly ‘neutral’ market price i.e. the 30 Day System Average Price. Conceptually this is the ‘mirror image’ of how the Emergency Curtailment Quantity (ECQ) is dealt with under the UNC.

### User Daily Imbalance - Post Storage Withdrawal Curtailment + SWCQ Trade



The above chart shows the position of a prudent shipper who at the time of an emergency declaration was slightly long with storage nominated to cover some demand. Under the current UNC (post Modification 0044) this shipper would have a User Daily Imbalance of -100 as it would have been prevented from delivering the green block. Under this proposal, the SWCQ

<sup>1</sup> NEC rights to prevent shippers withdrawing gas from storage in an emergency are currently set out in the NEC Safety Case. This Safety Case has been agreed between the Health and Safety Executive and Transco NTS without consultation with shippers.

would be considered to have been sold by Transco NTS to the shipper at 30 Day System Average Price. The result would be that the shipper would then be considered to have a positive User Daily Imbalance of 100. This long position would be cashed out at the prevailing System Average Price at the time the emergency was declared.

It is important to note that, like other acquiring and disposing transactions under the UNC such as NBP title trades and ECQ Trades, the adjustments to a shipper's balance position are financial in nature. Broadly speaking, the SWCQ Trade adjustment is designed leave shipper's positions financially neutral to the consequences of an NEC Storage Withdrawal Curtailment. As such the proposal is designed to ensure that 'appropriate' shipper behaviours are encouraged.

### **The proposal**

The SWCQ for each Day of the NGSE shall be a quantity that could have reasonably be nominated for delivery at relevant Storage Connection Points (as permitted under contract with the relevant storage providers) if it had not been for NEC invoking Storage Withdrawal Curtailment.

On each Day, the SWCQ Trade would be purchased by the shipper from Transco NTS at the 30 Day System Average Price (in concept this is effectively the reverse of the ECQ Trade which is sold by the shipper to Transco NTS). It is fair to say that, other than in very exceptional circumstances (i.e. Storage Facility failure/operational difficulties or a localised Transco NTS transportation constraint that limits deliveries), shippers expect Input Nominations from Storage Facilities to match actual deliveries.

If a trade were associated with the SWCQ, a User that did not have a negative Daily Imbalance prior to Storage Withdrawal Curtailment on the first Day of the NGSE (by virtue of its expectation that its prevailing storage Input Nominations would be delivered) would not be financially exposed to the System Marginal Buy Price as a result of NEC stopping storage withdrawals. A User that was in balance or had in prospect, a positive Daily Imbalance prior to an emergency would retain a similar envisaged Daily Imbalance position following the invoking of Storage Withdrawal Curtailment. Storage Withdrawal Curtailment applies only at Storage Connection Points and is considered to take place when the NEC directs Storage Operators to limit or suspend the withdrawal of gas from a relevant Storage Facility at a relevant Storage Connection Point by specifying the end of Day delivery quantity that shall not be exceeded. Partial Storage Curtailment in the context of this proposal is considered to occur on Days during which the NEC chooses to direct end of Day delivery quantities at the relevant Storage Connection Point that exceed zero kWh.

### **Trade and Trade Payment Arrangements**

To ensure transparency and consistency with other Eligible Balancing Actions, Storage Withdrawal Curtailment during an NGSE would represent a Market Balancing Action, only for invoicing and neutrality purposes, and thus any payments received for such actions should be considered as part of the energy element of Balancing Neutrality.

For the avoidance of doubt, any amounts paid to Transco NTS by Users for the Storage Withdrawal Curtailment Quantity Trade would not be included in the calculation of the System Marginal Buy Price, the System Marginal Sell Price or the System Average Price. Transco NTS would not pay Balancing Charges, Balancing Neutrality Charges, Scheduling Charges or Daily Imbalance Charges as a result of the Storage Withdrawal Curtailment Quantity transactions

occurring. This is consistent with current practice whereby Transco NTS as residual system balancer does not pay such charges. Of course, given Transco NTS in its capacity as NEC take on a more 'command and control' role rather than a residual role in an emergency there may be merit in directing some of these costs towards Transco NTS (but that is not the subject of this proposal).

In addition to the Trade Nominations in respect of the SWCQ, it is also proposed that for those occurrences i.e. Storage Withdrawal Curtailment during a NGSE, Users would make a payment based on the SWCQ multiplied by a price determined as the simple average of the System Average Prices for the 30 Days prior to the commencement of the NGSE.

This would result in a payment from each User to Transco NTS in respect of the aggregate quantity of gas that User would have delivered but for the Storage Withdrawal Curtailment occurring during a NGSE. The Storage Withdrawal Curtailment Quantity would reduce the aggregate imbalance in the Transco NTS 'Emergency Curtailment Manager' account. The net Daily Imbalance of all Users taking into account both Storage Withdrawal Curtailment Quantities and Emergency Curtailment Quantities should be equal and opposite to the aggregate imbalance of a new Transco NTS 'Emergency Curtailment Manager' account.

### **Calculation of the Storage Withdrawal Curtailment Quantity**

In the interests of transparency and good governance this modification proposal requires definition of all the substantive terms for the determination and reconciliation of the SWCQ within the UNC. Thus, unlike the arrangements for ECQ calculation introduced under Modification 0044, a separate SWCQ methodology document has not been prepared.

Within each Day of the NGSE, it is proposed that shippers would, subject to strict criteria set out below, determine their own SWCQ Trade which would in turn be matched by Transco NTS within the Day.<sup>2</sup> On Days when deliveries have taken place (e.g. on the first Day of any emergency or on other Days where partial Storage Withdrawal Curtailment has been directed by the NEC), these quantities will necessarily be best estimates. A post emergency SWCQ reconciliation process will be necessary when real input allocations (UDQIs) become available. Further ex post adjustments are not envisaged other than those that might arise under the normal disputes procedures set out under Section A of the UNC - General Terms, Dispute Resolution, which is designed to deal with disputes between Code signatories.

During Storage Withdrawal Curtailment, a shipper's Curtailment Quantity (CQ<sub>SCP</sub>) at each relevant Storage Connection Point would represent that shipper's best estimate of what could have reasonably been nominated for delivery by the end of the Day if it had not been for Storage Withdrawal Curtailment, (as permitted under contract with the relevant Storage Operator) taking into account any gas expected be allocated to that shipper whenever some gas withdrawals are permitted during the NGSE by the NEC at that Storage Connection Point. Any estimates of anticipated input allocations shall be best estimates and be represented as the Input Nomination of that shipper at the relevant Storage Connection Point

On the first Day of the NGSE a shipper's best estimate of an individual curtailment quantity (CQ<sub>SCP</sub>) at each relevant Storage Connection Point may be considered to be the prevailing

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<sup>2</sup>For convenience and for consistency with the established ECQ Trade process the proposal envisages that a SWCQ Trade is also transacted within the Gas Day.

Input Nomination at the time the Storage Withdrawal Curtailment was called at the relevant Storage Connection Point less the shipper's best estimate of the allocated input (UDQI) to the System at that Storage Connection Point on that Day.

The CQSCP shall also:

- a) take account of previously determined CQSCP values at an individual Storage Connection Point on previous Days of the NGSE. The cumulative CQSCP in any individual NSGE at a Storage Connection Point shall not exceed the opening stock holding of an individual shipper at the relevant Storage Facility at the start of the Day in which a NGSE was declared. This limitation reflects the theoretical 'destocking' of gas that could otherwise have taken place if it had not been for Storage Withdrawal Curtailment. Once the cumulative CQSCP equals the Day 1 opening stock level no further CQSCP claims at the relevant Storage Connection Point would be permitted. The last CQSCP determined would be to the opening stock on the first Day of the NGSE less the cumulative CQSCP.
- b) not exceed the maximum available deliverability provided to Transco NTS by the Storage Operator for the relevant Storage Facility under the relevant Storage Connection Agreement for the relevant Day.

It is recognised that Storage Operators have their own individual terms and conditions for the allocation and/or reallocation of rights to withdraw gas from store on any particular Day. It is expected that any change in the allocation of rights notified to relevant storage users by an individual Storage Operator (as normally permitted under contract with that Storage Operator during Days when the NEC has not directed Storage Withdrawal Curtailment) would be reflected, as appropriate, in a change to the shippers Input Nomination and CQSCP value at the relevant Storage Connection Point.

### **Submission of SWCQ Trades and Matching by Transco NTS**

A proposed SWCQ Trade shall be notified to Transco NTS via UK Link<sup>3</sup> no later than 23:00 hours on the Day to which the SWCQ Trade relates. Such proposed SWCQ Trade may be withdrawn prior to such a transaction being matched and another value 're-notified' instead prior to 23:00 hours. Within-Day SWCQ adjustment trades would also be permitted, to enable shippers to reflect changes to their best estimates of SWCQ values (e.g. where a previous relevant SWCQ Trade for a given Day had already been matched by Transco NTS). Again the deadline for submission of such trades would be 23.00 hours.

Transco NTS shall use reasonable endeavours to match, or inform the shipper of its intention to refuse to match, a proposed SWCQ Trade or SWCQ adjustment trade within 1 hour of its notification to Transco NTS. Transco NTS shall be entitled to refuse to match a SWCQ Trade or SWCQ adjustment trade notified by a shipper if the resulting SWCQ value from such transaction(s) exceeds the aggregate available deliverability of all the relevant Storage Facilities connected to the system (i.e. the sum of the latest maximum available deliverability values for that Day for each of the relevant Storage Facilities notified to Transco NTS by each of the

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<sup>3</sup> Although shippers now use the Gemini system, UK Link remains the defined term in the UNC.

relevant Storage Operators. Such a check is intended to deal with clearly erroneous SWCQ submissions.

For avoidance of doubt, the process used by shippers to notify SWCQ Trades and SWCQ adjustment trades shall, save for differences with regard to notification deadlines outlined above, be equivalent to those for existing acquiring and disposing trades under the UNC.

### **Reconciliation**

It has been established that on certain Days of a NGSE, SWCQ Trades would require the estimation of expected deliveries at one or more Storage Connection Points. Once input allocations are known estimates would be replaced with actual quantities. It is proposed that at the Entry Close Out Date i.e. 15th Business Day of the month following the Day on which the NGSE ceased shippers would be required to submit to Transco NTS a CQSCP Reconciliation Statement setting out the calculation of reconciled CQSCP values for each of the individual Storage Connection Points during the NGSE and a SWCQ Reconciliation Statement summary of the determined SWCQ values which shall be the sum of the reconciled CQSCP values that apply across all the relevant Storage Connection Points for that shipper for that Day. All statement values would be in kWh.

The CQSCP Statement shall include the following details:

Identity of the User (ie name and ID)

Storage Connection Point (ie name and ID),

Name of the Storage Operator,

Storage Allocation Agent if different from the Storage Operator.

Opening stock of gas held by that User in the Storage Facility at the start of the first Day of the NGSE,

The prevailing Input Nomination at the time the NGSE was declared,

The end of Day Input Nominations for all Days of NGSE (this shall reflect the shippers anticipated deliveries rather than theoretical deliveries).

The actual allocated storage deliveries for each Day of the NGSE

The estimated closing stock for each Day of the NGSE

The estimated closing stock less the cumulative CQSCP

The reconciled closing stock,

The reconciled closing stock less the cumulative CQSCP.

The estimated CQSCP for each Day of the NGSE

The reconciled CQSCP for each Day of the NGSE.

The SWCQ Statement shall include the following details:

Identity of the User (i.e. name and ID)

The CQSCP for each Storage Connection Point for each Day of the NGSE

The Total SWCQ for each Day of the NGSE

Transco NTS shall check the statements submitted by shippers and will, following agreement of any revisions with shippers, amend any incorrect data/arithmetical errors (e.g. input allocations). The ad hoc reconciliation adjustments reflecting the change to shippers' energy balance positions shall be made by Transco NTS as soon as is reasonably practicable, consistent with existing invoicing practices for making such adjustments. Adjustments would also be consistent with the 'trade and trade payment arrangements' described earlier. Ideally ad hoc adjustments covering reconciliation of all shippers' positions for a given Day of the NGSE should take place simultaneously.

### **Standard Statement Pro-forma specified and maintained by Transco NTS**

CQSCP Reconciliation Statement and SWCQ Statement shall be submitted to Transco NTS using an appropriate paper pro-forma or spreadsheet, as specified by Transco NTS from time to time. Attachment A shows suggested layouts for these documents. To facilitate easy reconciliation and review of aggregated CQSCP and SWCQ values, it is suggested that Transco NTS should require the submission of the CQSCP Reconciliation Statement and SWCQ Statement in the form of a standard Microsoft Excel spreadsheet.

Example spreadsheets have been submitted by the proposer to illustrate how shippers should calculate and reconcile the SWCQ values in accordance with the requirements of this proposal. These spreadsheets are intended to assist in the legal drafting of this proposal.

### **Disputes process and aggregate Curtailment Quantity report**

Any disputes that relate to input allocations or for example Transco NTS failing to match a legitimate SWCQ Trade allowed under the UNC would follow the normal UNC disputes process set out in Section A of the UNC – General Terms, Dispute Resolution..

### **Consequences of not implementing this Modification Proposal**

The consequence of not implementing this proposal is that prudent shippers that are rightly seeking to maintain stocks of gas in store to help sustain gas supplies for their customers throughout the whole winter period, would be (perversely) incentivised to withdraw that gas too early for fear of their gas being 'locked in store' in a NGSE. Such behaviour could cause or bring forward, the declaration of an NGSE, should Storage Monitors be breached or are about to be breached. These perverse commercial incentives have been exacerbated by the move away from a 'neutral' emergency cash-out price to a much harsher marginal pricing regime with the implementation of Modification 0044. To illustrate this point, it is worthwhile considering the possible 30 Day System Average Price and SMP Buy price in a NGSE. The values of 30 Day System Average Price and SMP Buy price might conservatively be 50p/therm and £5/therm respectively in an NGSE. Under the pre Modification 0044 regime a shipper would pay 50p/therm cash-out for being short as a result of its gas being 'locked in store' by under Emergency Procedures whereas under the new regime it is now expected to pay £5/therm. This is hardly reasonable given one key reason it has invested in storage is to seek to cover this price risk.

In effect the current UNC discriminates against storage as a particular form of peak gas flexibility. This reduces the value and utility of storage for shippers who are more likely to turn to other forms of, perhaps less reliable, flexibility such as offshore swing and interconnector deliveries to satisfy their customer requirements including in a NGSE,

Failure to address the above concerns could threaten the ongoing security of the system and ultimately continuity of supply to customers.

### **Proposed Implementation Timetable**

Sent to Ofgem requesting Urgency	07/10/2005
Ofgem grant Urgent status	10/10/2005
Transmission Workstream/Workgroup session to consider/amend proposal	13/10/2005
Transmission Workstream/Workgroup session to consider/amend proposal	19/10/2005
Transmission Workstream/Workgroup session to consider/amend proposal (if necessary)	21/10/2005
Urgent Modification Proposal Issued for consultation	25/10/2005
Closeout for representations (8 business day consultation)	04/11/2005
FMR issues by Joint Office (+4 business days)	10/11/2005
Close-out for Panel Comments on responses	14/11/2005
Modification Panel Recommendation	17/11/2005
Ofgem decision expected week commencing	21/11/2005

### **Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence**

The Proposer would wish to draw attention to the following Relevant Objectives:

- (a) *“the efficient and economic operation of the pipe-line system to which this licence relates;”*
- (b) *"so far as is consistent with sub-paragraph (a), the coordinated, efficient and economical operation of (i) the combined pipe-line system, and/or (ii) the pipe-line system of one or more relevant gas transporters;"*

In its role of residual system balancer, efficient and economic operation relies on fair, proportionate and non discriminatory incentives to be placed on shippers to seek to balance their positions under normal operations, in the lead up to a possible NGSE and during an actual NGSE. The current arrangements do not achieve this because shippers are perversely incentivised to use storage flexibility early when the system is becoming tight (i.e. a forecast sustained cold weather snap) or when an NGSE is anticipated.

- (d) *“so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:*
  - (i) *between relevant shippers;”*

The risks involved in the current situation could be considered as a barrier to competition. In particular, shippers will be encouraged to use other forms of perhaps less economic flexibility in preference to storage because they are not compensated for helping the system when the Emergency Procedures require shippers to keep gas in store. Ultimately this may help damage the prospect for further investment in storage capacity which the GB so desperately needs to support long-term security of supply.

Although it is recognised that storage capacity may need to be conserved in an emergency, Transco NTS in its development of the NEC Safety Case seem to have forgotten that they exist in a commercial world and that its free option to 'lock gas in store' without compensation has profound commercial consequences on shippers. Shippers will naturally respond to these commercial imperatives. Nevertheless shippers are acutely aware of their wider obligations to customers, which may lead them to moderate their response which may in fact put a brake on how fast gas stocks are reduced.

It would be wrong for prudent shippers who have chosen to rely heavily on storage capacity to meet peak supplies to customers to be unduly discriminated against, just because less prudent shippers have decided to withdraw gas from storage at much faster rates. By addressing the perverse incentive that penalises shippers from maintaining adequate stocks of gas in store, prudent shippers are less disadvantaged than before. Thus implementation of this proposal will promote greater and more effective competition in the shipping and supply of gas.

Additional arguments considered in Workstream discussions included:

- (c) *"so far as is consistent with sub-paragraphs (a) and (b), the effective discharge of the licensee's obligations under this licence;"*

The Transporters have a licence obligation (Standard Special Condition A6) to secure that no shipper, supplier or DN operator "obtains any unfair commercial advantage from a preferential or discriminatory arrangement." It has been shown that the current situation is discriminatory, particularly for shippers who have invested in storage and have used it prudently. This situation is therefore inconsistent with economic and efficient discharge of licence obligations and implementation of this Proposal would serve to correct this.

- (e) *"so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable incentives for relevant suppliers to secure that the domestic customer supply security standards are met....."*

This Proposal seeks to restore the incentives for shippers to act prudently in their management of storage stocks so that there will be adequate stocks in place for a 1 in 50 Severe Winter.

**Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text**

Given that the Storage Withdrawal Curtailment Quantity purchased by a shipper from the system via a disposing trade is effectively the 'mirror image' of the acquiring trade for a shipper

purchasing energy from the system for the Emergency Curtailment Quantity we consider it should be relatively straight forward to rework Modification 0044 drafting for this proposal.

The proposer requests that should a transporter be required to provide legal drafting for this proposal, the relevant staff should liaise closely with the proposer to ensure that the legal drafting properly reflects the intent of the proposal. Failure to do this may result in an unnecessary delay to the implementation of this proposal.

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

The proposer believes that this Modification Proposal, if implemented, would serve to restore the incentives that applied prior to the implementation of Modification Proposal 0044 for Users to make bookings of storage capacity and to manage their stocks prudently, in the context of meeting 1 in 50 Supply Security.

No adverse implications in respect of industry fragmentation have been identified.

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

**a) implications for operation of the System:**

There might be an increased requirement for the System Operator to balance the System but the quantities of gas required to fulfil this requirement would be similar to that required by Users whose ability to withdraw gas from storage had been curtailed.

**b) development and capital cost and operating cost implications:**

No such implications have been identified by the Transporter in the Transmission Workstream.

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

No such cost recovery has been identified.

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

No such consequences have been identified.

**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 consequence has been identified.

**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**

The System implications are believed to be minor

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

Implementation would considerably reduce the risks facing Users who book and use storage in order to meet their demand.

If implementation of this Proposal led to increases in the activity of the System Operator in balancing the System, this might lead to the setting of higher SMP Buy Prices. Users with a deficit imbalance would therefore face a correspondingly higher exposure.

Storage Users currently curtailed, and who in consequence are cashed-out at SMP Buy, make a positive contribution to Energy Balancing Neutrality. Other Users benefit from this contribution. Implementation would therefore remove this benefit. The Proposer, believes, however, that this is a windfall benefit which Users should not expect to receive.

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

As Users would have more confidence in their availability of storage gas, implementation would serve to restore the value of storage as a service. This might have implications for the economics of investment in storage.

Restoration of the incentives to manage storage in a prudent manner would have security of supply benefits for all parties within the gas chain including suppliers and consumers.

**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.

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

**Advantages**

Restoration of the incentives on Users to book sufficient storage and use it prudently.

By restoring these incentives the value of storage would also be restored and this would, in remove a disincentive to further investment in storage which would benefit supply security.

Where the NGSE is at Stage 1, implementation might lead to more Market Balancing Buy Actions which unlike bilateral trades between Users, would set SMP buy prices. This would increase the incentive on Users, in general, to balance on that Day.

**Disadvantages**

The current incentives which, fortuitously, through the actions of curtailed Storage Users, would tend to reduce the System Operator's requirement to take Market Balancing Buy Action, might be eroded.

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

No such requirements have been identified.

**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 requirements have been identified

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

No programme for works has been identified.

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

It is suggested that this Proposal be implemented immediately following approval.

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

No such implications have been identified.

**Code Concerned, sections and paragraphs**

**Transportation Principal Document:**

Section F - System Clearing, Balancing Charges and Neutrality

Section Q - Emergencies

**Proposer's Representative**

Christiane Sykes (E.ON UK plc)

**Proposer**

Peter Bolitho (E.ON UK plc)

**Signature**

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## Attachment A

### STORAGE CONNECTION POINT CURTAILMENT QUANTITY RECONCILIATION STATEMENT

<b>Claim for Gas Day:</b>	yy February 2006	<b>Storage Connection Point:</b>	A
<b>First Day of NGSE:</b>	xx February 2006	<b>Storage Allocation Agent:</b>	
<b>Shipper Name:</b>		<b>Storage Facility Operator:</b>	
<b>Shipper ID:</b>			

Date	Prevailing Input Nomination Day 1	Input Nomination	Allocated Storage Quantity	Estimated Closing Stock	Est. closing stock less Cumulative CQ <sub>SCP</sub>	Reconciled Closing Stock	Reconciled Closing Stock less Cumulative CQ <sub>SCP</sub>	Estimated Claimed CQ <sub>SCP</sub>	Reconciled Claimed CQ <sub>SCP</sub>
<b>Opening Stock</b>	n/a	n/a	n/a	550	550	550	550	n/a	n/a
<b>Day 1</b>	80	20	18	530	470	532	470	60	62
<b>Day 2</b>	n/a	0	0	530	390	532	390	80	80
<b>Day 3</b>	n/a	0	0	530	310	532	310	80	80
<b>Day 4</b>	n/a	0	0	530	230	532	230	80	80
<b>Day 5</b>	n/a	0	0	530	150	532	150	80	80
<b>Day 6</b>	n/a	0	0	530	70	532	70	80	80
<b>Day 7</b>	n/a	30	32	500	0	500	0	40	38
<b>Day 8</b>	n/a	0	0	500	0	500	0	0	0
<b>Day 9</b>	n/a	0	0	500	0	500	0	0	0
<b>Day 10</b>	n/a	0	0	500	0	500	0	0	0

The estimated CQ<sub>SCP</sub> for Day 1 if curtailment took place at 12:00 hours could reasonably be  $(24-6)/24 \times$  Prevailing Input Nomination  
Above example illustrates a NGSE lasting seven days.

Previous days estimated position limits the CQ<sub>SCP</sub> that can be claimed

**STORAGE CONNECTION POINT CURTAILMENT QUANTITY RECONCILIATION STATEMENT**

<b>Claim for Gas Day:</b>	yy February 2006	<b>Storage Connection Point:</b>	B
<b>First Day of NGSE:</b>	xx February 2006	<b>Storage Allocation Agent:</b>	
<b>Shipper Name:</b>		<b>Storage Facility Operator:</b>	
<b>Shipper ID:</b>			

Date	Prevailing Input Nomination Day 1	Input Nomination	Allocated Storage Quantity	Estimated Closing Stock	Est. closing stock less Cumulative CQ <sub>SCP</sub>	Reconciled Closing Stock	Reconciled Closing Stock less Cumulative CQ <sub>SCP</sub>	Estimated Claimed CQ <sub>SCP</sub>	Reconciled Claimed CQ <sub>SCP</sub>
<b>Opening Stock</b>	n/a	n/a	n/a	200	200	200	200	n/a	n/a
<b>Day 1</b>	40	10	11	190	160	189	160	30	29
<b>Day 2</b>	n/a	0	0	190	120	189	120	40	40
<b>Day 3</b>	n/a	0	0	190	80	189	80	40	40
<b>Day 4</b>	n/a	0	0	190	40	189	40	40	40
<b>Day 5</b>	n/a	0	0	190	0	189	0	40	40
<b>Day 6</b>	n/a	0	0	190	0	189	0	0	0
<b>Day 7</b>	n/a	0	0	190	0	189	0	0	0
<b>Day 8</b>	n/a	0	0	190	0	189	0	0	0
<b>Day 9</b>	n/a	0	0	190	0	189	0	0	0
<b>Day 10</b>	n/a	0	0	190	0	189	0	0	0

The estimated CQ<sub>SCP</sub> for Day 1 if curtailment took place at 12:00 hours could reasonably be  $(24-6)/24 \times$  Prevailing Input Nomination  
Above example illustrates a NGSE lasting seven days.

Previous days estimated position limits the CQ<sub>SCP</sub> that can be claimed

**STORAGE CONNECTION POINT CURTAILMENT QUANTITY RECONCILIATION STATEMENT**

<b>Claim for Gas Day:</b>	yy February 2006	<b>Storage Connection Point:</b>	C
<b>First Day of NGSE:</b>	xx February 2006	<b>Storage Allocation Agent:</b>	
<b>Shipper Name:</b>		<b>Storage Facility Operator:</b>	
<b>Shipper ID:</b>			

Date	Prevailing Input Nomination Day 1	Input Nomination	Allocated Storage Quantity	Estimated Closing Stock	Est. closing stock less Cumulative CQ <sub>SCP</sub>	Reconciled Closing Stock	Reconciled Closing Stock less Cumulative CQ <sub>SCP</sub>	Estimated Claimed CQ <sub>SCP</sub>	Reconciled Claimed CQ <sub>SCP</sub>
<b>Opening Stock</b>	n/a	n/a	n/a	900	900	900	900	n/a	n/a
<b>Day 1</b>	100	25	18	875	800	882	800	75	82
<b>Day 2</b>	n/a	0	0	875	700	882	700	100	100
<b>Day 3</b>	n/a	0	0	875	600	882	600	100	100
<b>Day 4</b>	n/a	0	0	875	500	882	500	100	100
<b>Day 5</b>	n/a	0	0	875	400	882	400	100	100
<b>Day 6</b>	n/a	0	0	875	300	882	300	100	100
<b>Day 7</b>	n/a	60	55	815	200	827	200	40	45
<b>Day 8</b>	n/a	0	0	815	200	827	200	0	0
<b>Day 9</b>	n/a	0	0	815	200	827	200	0	0
<b>Day 10</b>	n/a	0	0	815	200	827	200	0	0

The estimated CQ<sub>SCP</sub> for Day 1 if curtailment took place at 12:00 hours could reasonably be  $(24-6)/24 \times$  Prevailing Input Nomination  
Above example illustrates a NGSE lasting seven days.

Previous days estimated position limits the CQ<sub>SCP</sub> that can be claimed

**STORAGE WITHDRAWAL CURTAILMENT QUANTITY STATEMENT**

<b>Claim for Gas Day:</b>	yy February 2006
<b>First Day of NGSE:</b>	xx February 2006
<b>Shipper Name:</b>	
<b>Shipper ID:</b>	

Date	SCP A		SCP C		SCP C		SWCQ		Ad hoc Adjustment
	CQ <sub>SCP</sub>		CQ <sub>SCP</sub>		CQ <sub>SCP</sub>				
	Estimated	Reconciled	Estimated	Reconciled	Estimated	Reconciled	Estimated	Reconciled	
<b>Day 1</b>	60	62	30	29	75	82	165	173	8
<b>Day 2</b>	80	80	40	40	100	100	220	220	0
<b>Day 3</b>	80	80	40	40	100	100	220	220	0
<b>Day 4</b>	80	80	40	40	100	100	220	220	0
<b>Day 5</b>	80	80	40	40	100	100	220	220	0
<b>Day 6</b>	80	80	0	0	100	100	180	180	0
<b>Day 7</b>	40	38	0	0	40	45	80	83	3
<b>Day 8</b>	0	0	0	0	0	0	0	0	0
<b>Day 9</b>	0	0	0	0	0	0	0	0	0
<b>Day 10</b>	0	0	0	0	0	0	0	0	0