MODIFICATION PROPOSAL

SHORT TITLE: Corrections to Storage Balancing Agreement

DATE: 6th December 1996

PROPOSED IMPLEMENTATION DATE: 1st September 1996

URGENCY: Non Urgent

JUSTIFICATION:

The Network Code defines the transportation arrangements for the Storage Operator, known in the Business Rules as the Storage Balancing Agreement (SBA). These arrangements allow the Storage Operator to allocate storage nominations whole, and provides him with limited operational flexibility, subject to maintaining a daily energy balance at the NBP.

The Energy Balancing Detailed Business Rules for the SBA (Section 7.5, DB35 and DB28) were drafted into the code relatively early, and were not adequately reassessed after subsequent changes to the energy balancing regime. As a result, a number of errors and inconsistencies have developed. Further, there is currently an inconsistency between the Network Code legal drafting and the way that AT-LINK calculates balancing, scheduling and overrun charges. These inconsistencies have become material since the introduction of phase 2 on 1st September. AT-LINK calculations currently reflect the principles behind the detailed Business Rules.

There is now an urgent requirement to correct these errors and inconsistencies. The proposed changes set out below, will bring the Network Code into line with the agreed detailed Business Rules, and with AT-LINK functionality. The changes are proposed to be retrospective to 1st September 1996 to reflect the original intention of the Business Rules.

CONSEQUENCE OF NOT MAKING THIS CHANGE

The Network Code would continue to be out of line with the agreed detailed Business Rules and with AT-LINK functionality.

There would be a requirement to recalculate the balancing charges, scheduling charges and overrun charges for the storage operator since 1st September 1996. The balancing and scheduling charges of shippers using storage might also need to be recalculated.

Significant system changes and costs would be required to bring AT-LINK functionality into line with Network Code and this is not consistent with the agreed principles.

The Storage Operator would continue to have an unduly small imbalance tolerance, resulting in unreasonable and unnecessary daily imbalance cash out costs.

The Storage Operator would continue to have no tolerance in respect of input scheduling charges in cases where he delivers gas, as per customer nomination.

The Storage Operator would continue to be exempt from output scheduling charges at

storage injection points.

The Storage Operator would be incentivised to maximise the differences between customer nominations and physical flows at storage sites, in order to achieve a reasonable imbalance tolerance and an input scheduling tolerance, i.e., encouraging unnecessary and inefficient additional energy transactions to establish appropriate operational tolerances.

The Storage Operator would continue to be exempt from NTS Entry charges. This is contrary to current practice in Storage, the programming of AT-LINK and requirements in respect of undue cross-subsidy between Transportation and Storage.

AREA OF NETWORK CODE CONCERNED

Section E: Daily, Imbalance and Reconciliation

Paragraph 1.7.2
> Add after "Users" in line 5 "(other than the Storage Operator)" and delete "for the purposes of Section F (but not Section B)" in line 6.

Section F: System Clearing, Balancing Charges and Neutrality

Paragraph 2.2.1(a)
> Delete "and" at the end of sub-paragraph (iii);
>
> Add after "System Entry Points" at sub-paragraph (iv) "(other than Storage Connection Points of BG Storage Facilities)";
>
> Insert new sub-paragraph (v) reading "in the case of the Storage Operator, the Entry Point Daily Quantity Delivered and the CSEP Daily Quantity Offtaken in respect of BG Storage Facilities; and".

Paragraph 2.2.2(i)
> Add after "Connected System Exit Points" in line 2 "(which shall include Storage Connection Points of BG Storage Facilities)"

Paragraphs 3.2.1, 3.3.1, 3.3.2
> In each case add at the beginning of the first line "Subject to Clause 3.4"

New Paragraph 3.4

> Storage Connection Points at BG Storage Facilities
>
> For the purposes of the application of this paragraph 3 in relation to Storage Connection Points of a BG Storage Facility:
>
> (a)   at paragraph 3.2.1(a)
>
>> (i)   references to System Entry Points shall, except as respects the Storage Operator, exclude such Storage Connection Points;
>>
>> (ii)   with reference to the Storage Operator, the Scheduling Input

Nominated Quantity shall be the sum of the Nominated Quantities under Input Nominations (after taking into account Flexibility Nominations) of all Users;

(b) at paragraph 3.2.1(b):

(i) references to System Entry Points shall, except as respects the Storage Operator, exclude such Storage Connection Points;

(ii) with reference to the Storage Operator, the reference to the sum of the UDQIs shall be the Entry Point Daily Quantity Delivered;

(c) for the purpose of 3.3.1(a)(ii), 3.3.2(a)(ii) and 3.3.2(d)(ii), such Connected System Exit Points shall be a relevant Connected System Exit Point with reference to the Storage Operator, but not otherwise;

(d) for the purposes of 3.3.2(a)(ii), with reference to the Storage Operator, the reference to the Nominated Quantity shall be the sum of the Nominated Quantities under the Output Nominations (after taking account of any Flexibility Nomination) of all Users;

(e) for the purposes of 3.3.2(b)(iii), with reference to the Storage Operator, references to UDQO shall be to the Connected System Exit Point Daily Quantity Output.

Section R: BG Storage Facilities

Paragraph 1.7.3
Delete "(including Sections F2.2.1(a)(ii)" in line 3.

NATURE OF PROPOSAL

The specific changes are discussed below. A background note about the SBA has been attached, so that the context of these changes can be understood.

a) Make Storage Operator liable for NTS Entry Charges

This was always intended, but is not the case in the current legal drafting. This is effected by the proposed change to E1.7.2.

b) Remove EB tolerance for Shippers where allocation equals the nomination.

In F2.2.1 (a)(iii) Users do not receive any energy balancing tolerance in respect of storage injections, because the injections are allocated according to nominations and so there is no margin for errors.

It is proposed to change F2.2.1 (a)(iv) to ensure that the same principles apply to storage withdrawals. There is a housekeeping change to R1.7.3.

c) Provide EB tolerance for Storage Operator

It is proposed to introduce F2.2.1 (a)(v), and the extra text in F2.2.2(i) to ensure that the Storage Operator has an energy balancing tolerance, based on the physical flows at storage sites.

It is proposed to define the way scheduling charges are calculated at Storage points. This is done by making paragraphs F3.2.1, F3.3.1 and F3.3.2 subject to a new paragraph F3.4. Specifically it is proposed to:

d) Exempt storage withdrawals from input scheduling charge calculations for shippers

As Shippers are allocated their nomination at storage input points it is proposed to exclude these flows from the calculation of scheduling charges. This is significant where the storage connection point is part of an aggregated system entry point, as is the case at Easington.

The change is effected by F3.4(a)(i) and F3.4(b)(i).

e) Create input scheduling charges (applicable to the Storage Operator only) for storage withdrawals.

The proposed F3.4(a)(ii) and F3.4(b)(ii) create input scheduling charges for the Storage Operator based on the comparison of the aggregate nomination of all users at storage withdrawal points and the total measured flows at those points.

f) Create output scheduling charges (applicable to the Storage Operator only) for storage injections.

The code as currently drafted has no output scheduling charges at storage injection points. However, the Storage Operator should be liable for output scheduling charges if injections are not accurate to nomination. The proposed F3.4(c), (d) and (e) creates these charges and bases them on a comparison of the aggregate nomination of all users at the storage injection point and the total measured flows at those points.

PURPOSE OF PROPOSAL

The purpose of the proposal is to make good some errors and inconsistencies in the code, to bring the rules relating to the Storage Operator into line with the original intentions of the

Business Rules and in line with current AT-LINK functionality. The changes should be back dated to 1st of September, when the impact of the problems became significant.

IDENTITY OF PROPOSER'S REPRESENTATIVE:

PROPOSER   : Chris Train

SIGNATURE   :

POSITION   : Energy Balancing Manager

COMPANY   : TransCo