

Modification Report
URGENT Modification Reference Number 0261

This Modification Report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.12.4.

1. Circumstances Making this Modification Proposal Urgent:

In accordance with Rule 9.2(a) Ofgas has agreed that this Modification Proposal should be treated as Urgent because necessary to allow the implementation of the arrangements for gas flow to the Stranraer offtake.

2. Procedures Followed:

Transco agreed with Ofgas (and has followed) the following procedures for this Proposal;

24/8/98	Ofgas agreed to treat the modification as urgent.
25/8/98	Modification circulated for representations
9/9/98	Close for representations
15/9/98	Transco send final report to Ofgas
18/9/98	Ofgas Direction

3. The Modification Proposal:

JUSTIFICATION:

Transco currently make arrangements for the Scottish Independent Network at Stranraer to be supplied from the Premier Transco system via the Moffat Connected System Exit Point.

An interim agreement is in place with British Gas Trading (BGT) to provide an accounting service which maintains the balance of AT-Link. Also a Transportation Agreement is in place between Transco and Premier Transco to transport gas into Stranraer.

It is preferable to see the arrangements for Stranraer formally incorporated into the Network Code.

Revised arrangements for Stranraer have been developed and included into the drafting of the GB-Ireland CSEP Ancillary Agreement. The modification is required to enable Stranraer to be treated in accordance with the GB-Ireland CSEP Ancillary Agreement.

The modification is required as URGENT, because of the planned commencement of the CSEP Ancillary Agreement rules from 1 October 1998.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

The CSEP Ancillary Agreement for the GB-Ireland Interconnector contains the specific rules governing the offtake of gas at the Moffat and therefore should contain rules the Network Code rules for Stranraer.

Stranraer will be treated outside the rules of the CSEP Ancillary Agreement from 1 October 1998 if the modifications to the Network Code detailed below are not made.

This would be in conflict with the intentions of Transco and Shippers. The contract with BGT would require an extension, this is not a solution BGT or Transco would wish to see and would not further the relevant objectives.

4. **Transco's opinion:**

Transco support the implementation of this modification.

5. **Extent to which the proposed modification would better facilitate the relevant objectives:**

The modification better facilitates the relevant objectives by ensuring the more efficient and economic operation of the pipeline system, while ensuring effective competition between relevant shippers and suppliers in Stranraer.

6. **The implications for Transco of implementing the Modification Proposal, including:**

a) **implications for the operation of the System and any BG Storage Facility:**

allows the commercial regime to reflect the operation of the System.

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

There is an overall reduction in operating costs.

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:**

not applicable

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

there are no implications

7. **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:**

There are no consequences

8. **The development implications and other implications for computer systems of Transco and related computer systems of Relevant Shippers:**

Transco is setting up the system to allow the creation of the Stranraer Management Account.

9. **The implications of implementing the Modification Proposal for Relevant Shippers:**

There are no consequences.

10. **The implications of implementing the Modification Proposal for terminal operators, suppliers, producers and, any Non-Network Code Party:**

There are no consequences.

11. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each Relevant Shipper and Non-Network Code Party of implementing the Modification Proposal:**

There are no consequences.

12. **Analysis of any advantages or disadvantages of the implementation of the Modification Proposal:**

The modification allows Transco to introduce the new arrangements for Stranraer as contained in the GB-Ireland CSEP Ancillary Agreement. These arrangements replace the current arrangements for Stranraer, these expire on 1st October 1998.

Without this modification, Transco would have to extend the current arrangements with BGT. Neither BGT nor Transco wish to do this and it would not be in line with the intentions of the 117 Review Group.

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

There were three representations received. These representations were from:

Shell Gas Direct (SGD)
Scottish Hydro-Electric (SHE)
British Gas Trading (BGT)

Two of these representations (SGD and SHE) fully supported the modification proposal. BGT confirmed that they do not wish to see an extension to the existing arrangements, however they wished to have as much notice of implementation as possible, but so long as notice wasn't provided on 1/10/98. BGT suggested that the wording of the legal drafting be amended, this amendment has been reflected in full in the text of the modification.

Transco Response:

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

Not applicable.

15. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence:

Not applicable.

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

None are required.

17. Proposed implementation timetable (inc timetable for any necessary information systems changes):

To be implemented on 1st October 1998.

18. Recommendation concerning implementation of the Modification Proposal:

Transco recommends that this modification proposal be implemented.

19. Restrictive Trade Practices Act:

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

20. Transco's Proposal:

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Director General in accordance with this report.

21. **Text provided pursuant to Rule 9:**

Section A

1.7 Scottish Independent Networks

1.7.1. "Subject to paragraph 1.7.5, each of the separate pipeline networks located in Scotland at Thurso, Wick, Campbeltown and Oban provisioned with LNG, and at Stranraer, in Scotland, and provisioned with LNG gas is a Scottish Independent Network".

1.7.5 "Pursuant to an arrangement set out or described in the relevant CSEP Ancillary Agreement, the separate pipeline network located at Stranraer is supplied with gas taken from the System at a Connected System Exit Point and conveyed by means of pipes operated other than by Transco (and not forming part of the System); and accordingly in any provision of the Code referring to LNG Facilities, a reference to a Scottish Independent Network does not include the network at Stranraer."

Section B

1.9 Scottish Independent Networks

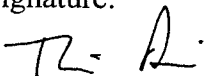
1.9.2 "In order to enable Users to offtake gas from the System at SIN Supply Point Components :

(a) except as provided in paragraph (b), Transco will hold Storage Space in and inject gas into LNG Facilities, and arrange for LNG to be lifted from those facilities and transported by road tanker to and discharged to LNG storage and regasification plants at each Scottish Independent Network.

(b) in relation to the Scottish Independent Network at Stranraer, Transco will arrange for gas to be taken from the System at a Connected System Exit Point and conveyed to that network pursuant to the arrangements referred to in Section A1.7.5"

Signed for and on behalf of Transco.

Signature:



Tim Davis
Manager, Network Code

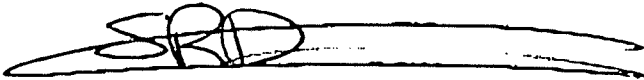
Date: 16.9.98

Director General of Gas Supply Response:

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference 0261, version 1.0 dated 15/09/98) be made as a modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply.

Signature:



Shaun Day
Economic Advisor Transportation Pricing

Date: 23/9/98

The Network Code is hereby modified, with effect from 1st October 1998, in accordance with the proposal as set out in this Modification Report, version 1.0.

Signature:



Process Manager - Network Code
Transco

Date: 24/9/98.

ANNEX

Restrictive Trade Practices Act - Suspense Clause

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

1. Suspense Clause:

- 1.1 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:
- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

- 1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.