

**Modification Report**  
**URGENT Modification Reference Number 269**  
**Changes to the charging of compression at TOM**

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 it will facilitate Terminal level trading which has approval to commence on 1st October 1998

**2. Procedures Followed:**

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

Close out for shipper representations 25/9/98

Final Modification Report to Ofgas 29/9/98

Final Ofgas decision 30/9/98

Ofgas agreed to an extension on the basis that the first actions required for this modification will be after M+15 i.e. mid November. The new provisions will still take effect 1st October 1998.

**3. The Modification Proposal:**

The Claims Validation Agent may submit to Transco, after M+ 15, a statement detailing base rights allocations of gas input at the TOM sub terminal. Transco will be entitled to invoice the applicable compression charges in accordance with these base rights allocations, provided such allocations sum to the total allocations shown on the normal entry allocation statement, (the daily quantity less any unclaimed gas).

**4. Transco's opinion:**

The modification should be implemented.

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

This modification better facilitates Terminal level trading by providing greater access to traded gas at the St. Fergus Terminal. This better facilitates the relevant objectives by promoting effective competition (Condition 7 (1) (c))

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

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

Transco is unaware of any implication

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

Transco is unaware of any implication

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:**

Transco is unaware of any implication

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

Transco is unaware of any implication

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:**

Transco is unaware of any implication

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

Transco is unaware of any implication

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

The costs of compression will be allocated to the shipper bringing gas to the system prior to subsequent trades.

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

The Claims Validation Agent will be required to gain agreement from relevant shippers to provide the additional allocation and the CVA will produce the additional allocation information.

**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:**

Transco is unaware of any implication

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

The modification will facilitate a more liquid market at Terminal level at St Fergus

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

Transco has received 11 representations on this modification 10 from shippers and one from CVSL. 9 of the respondents were wholly in favour of the agreement and where they commented they said that the modification was essential to facilitate competition and correctly allocate costs.

2 of the respondents were against the modification saying that the modification undermined their existing contractual arrangements.

**Transco Response:**

Transco is supporting this modification as it believes that the modification will facilitate competition at St Fergus. Transco is not in a position to comment on existing contractual arrangements between parties at St Fergus.

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

none

**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:**

none

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

CVA to gain consent or amend contracts to allow the CVA to pass the allocations to Transco.

CVA and Transco to determine process and proformas for allocation statement.

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

Process to be in place by November 1st 1998 to enable the modification to be effective from October 1st 1998

**18. Recommendation concerning implementation of the Modification Proposal:**

Implement modification with effect October 1st 1998

**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 agreement from the Director General in accordance with this report.

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

I 3.5.7 Where:

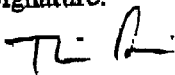
(i) under the terms of a Special Delivery Arrangement any amount (the "Special Delivery Arrangement Charge") payable to Transco is payable by Users pro rata to their UDQIs (in relation to the relevant System Entry Point), and

(ii) a person appointed by any User or Users as User Agent submits to Transco a statement (differing from Users' Entry Allocation Statements) of the whole of the Entry Point Daily Quantity delivered to or between the User or Users appointing such Agent for the purpose of allocating the Special Delivery Arrangement Charge

then the Special Delivery Arrangement Charge shall be payable by such User or Users pro rata to their respective Special Delivery Arrangement Charging allocations and not pro rata to Users UDQIs.

Signed for and on behalf of Transco.

Signature:



**Tim Davis**  
**Manager, Network Code**

Date: 26 Oct 1998

**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 269, version 2.1 dated 26/10/98) be made as a modification to the Network Code.

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

Signature:



Name: SHAUN DAY

Title: HEAD OF TRANSPORTATION PRICING

Date: 29 October 1998.

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 2.1.

Signature:



**Process Manager - Network Code**  
**Transco**

Date:

30/10/98.

## 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.