

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0376

SHORT TITLE: Over-run Charges on Transco Nominations from Constrained LNG Sites

DATE: 16/12/99 **PROPOSED IMPLEMENTATION DATE:** 23/12/99

URGENCY: Urgent

JUSTIFICATION OF URGENT STATUS:

This Modification would remove a risk of inappropriate charging of users of Constrained LNG services. When the Network Code was implemented, it was assumed that there would generally be several shippers holding LNG in a constrained site. If constrained LNG was needed, and sufficient was in store and deliverable, Transco should have the right to demand it and is entitled to withdraw from any constrained LNG site the quantity it requires for transmission support purposes or the maximum actual deliverability of that site at any time, whichever is greater.

The total withdrawal may be limited by the amount of LNG in store at that time, but Transco's nominations are not limited by shippers' deliverability bookings. Essentially, it was accepted when the Network Code was written that Transco should get the gas out rather than have, or risk, a failure.

Some shippers may be holding full stocks while others might have reduced their holding earlier in the winter, and Transco was only to be empowered to ensure that sufficient was held in stock at any time (the "monitor" level) for national purposes, but not or otherwise limit each shipper's withdrawals. So Transco can call on the full "transmission support" needs on any day, providing only that the plant can physically deliver the volume sought and that there is sufficient LNG in total.

For these purposes the Top-Up Manager is treated like any other shipper, and his gas can be constrained on too. The Top-Up Manager will have ensured that total booked deliverability at each site at least meets the predicted 1-in-20 requirement for the relevant area. So as long as any day's actual needs are less than that predicted requirement, there should be booked deliverability which can be used.

The main risk is that requirements on some day exceed the forecast 1-in-20 level. This might happen either if the (local) demands exceed the 1-in-20 forecast, whether or not the same is true of national requirements, or if (for whatever reason) the gas able to be transported to the relevant area is less than the capacity assumed for Top-Up calculations.

In that case it is right that Transco should get the gas out rather than have or risk a failure, though the total withdrawn may exceed the total booking of deliverability. However the actual

volume withdrawn then has to be allocated to Users of Constrained Storage services at the site. Hence, when Transco's requirements are converted into nominations on individual shippers, a shipper's LNG withdrawal nomination may exceed that shipper's booked deliverability.

This was not thought at the time the Network Code was written to be an unreasonable approach. One consequence is that a shipper's LNG booking in a Constrained Site could be exhausted in a few days. It is suggested that this should continue to be regarded as a risk to be accepted by shippers that book services at Constrained LNG sites, and this Modification proposes no change in this area.

A second issue is that the current arrangements provide that overruns are payable in the event that nominations by Transco exceed a User's available deliverability. It may be considered unfair that Users are charged overruns in the event that nominations by Transco exceed that User's available deliverability. Shippers would normally be expected to have procured sufficient deliverability and entry capacity to meet their needs and sufficient deliverability in relation to their space bookings, and may be entitled to assume that this together with others' bookings (if any) and Top-Up would normally be available to meet the system's needs. If this is not so, then a shipper that has prudently procured and retained deliverability and has provided gas to the system should not be inappropriately penalised by LNG deliverability and NTS entry over-run charges

It is therefore proposed that for the remainder of the 1999/2000 Storage Year NTS entry over-run charges at constrained LNG sites should be zero in respect of gas "constrained on" by Transco where the total nomination exceeds a User's capacity as booked with BG Storage and/or Transco without adjustment for (any) capacity trades; and any deliverability overruns which would be incurred by Shippers in the event of Transco "constraining on" will be borne by Transco at the low cost deliverability overrun rate.

The underlined restriction is to ensure a shipper cannot trade away LNG capacity and thereby receive capacity trading income and also the proposed over-run waiver. The change would be cancelled at 30 April 2000 because it seems likely that there may be substantially more users of LNG at "constrained" sites (in which case this change may no longer be as important) and because the rules pertaining to LNG as from May 2000 need to be reviewed in light of the outcome of the Ofgem consultation on LNG issues.

NATURE OF PROPOSAL:

Until 30 April 2000, entry over-run charges at constrained LNG sites should be zero in respect of gas "constrained on" by Transco where the constrained nomination exceeds a User's capacity as booked with BG Storage and/or Transco without adjustment for (any) capacity trades. Also, any costs arising from deliverability overruns which would have been incurred by Shippers in the event of Transco "constraining on" will be borne by Transco at the low cost deliverability overrun rate.

PURPOSE OF PROPOSAL:

To protect Shippers from inappropriate charges.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

Users of Constrained LNG Services may bear over-run charges for gas contributed to help with a local supply problem in circumstances in which they have no influence on the nominations (made on their behalf by Transco), despite having made prudent and reasonable arrangements for their own peak-shaving needs in a manner which enhances the security of their own users and other shippers.

AREA OF NETWORK CODE CONCERNED:

Sections B and Z

IDENTITY OF PROPOSER'S REPRESENTATIVE:

David Chamberlain

PROPOSER (please print): Nigel Sisman

SIGNATURE:

POSITION: Manager, Network Code and Pricing

COMPANY: BG Transco plc

MODIFICATION PANEL SECRETARY'S USE ONLY

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Date Received: