

Modification Report
Removal of Storage Nomination Arrangements
Modification Reference Number 0395
Version 3.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

Under current Network Code provisions, if a Storage Nomination Arrangement (SNA) has been elected in relation to a Storage Connection Point (SCP), each User submitting a Nomination to Transco in relation to a SCP authorises Transco to provide to the relevant Storage Operator, or inform the relevant Storage Operator of, the Nomination. With the exception of SCPs, Transco does not manage information flows on behalf of Users beyond Transco's System.

The aim of this Modification Proposal is to remove the mechanism by which Transco informs a third party Storage Operator of Users' Nominations at SCPs. The removal of the SNA provisions from the Network Code would facilitate the consistent treatment of SCPs in relation to other Entry and Exit Points on Transco's System. Therefore, this Modification Proposal proposes to remove the SNA provisions from the Network Code.

Removal of the SNA provisions from the Network Code would result in Transco no longer passing Nomination information in respect of a Storage Connection Point to Storage Operators. System Users would remain obliged to create and submit Input and Output Nominations to Transco which provide details of quantities of gas to be delivered to or off taken from the System. Following the proposed removal of the SNA provisions, Users of Storage Facilities would submit separate Storage Nominations direct to Storage Operators for injections and withdrawals from the Storage Facilities. Shippers would create and pass these Storage Nominations directly to the relevant Storage Operators independently of AT Link.

To coincide with the removal of the SNA provisions an alternative mechanism would be required by which Constrained Storage Facilities (CSF) are managed. Transco proposes that Users be required to actively manage their own inventory levels, i.e. Users would be required, via provisions in the Network Code, not to submit Storage Nominations which would cause them to breach their Weekly Minimum Requirement at any CSF.

The Generic SCA provides that Storage Operators will provide to Transco "such details of the quantity of stored gas constrained in the Storage Facility as Transco

may from time to time require". This includes "such information as is necessary to enable Transco to comply with its current Safety Case". The Storage Operator would be required, via the SCA, to inform Transco immediately in the event of a Shipper submitting a Storage Withdrawal Nomination which would result in that Shipper's Weekly Minimum Requirement being breached so that Transco may ensure that the appropriate action is taken.

It is proposed that to 'constrain on' in relation to a Constrained Storage Facility, Transco would notify the relevant Storage Operator of the Gas Day and start time when the Constrained gas is required, the required flow rate, the End of Day Quantity and the Constrained Storage Facility from which the constrained gas is to flow. The Storage Operator would determine what volume of gas to flow on behalf of each User of the Constrained Storage Facility, inform Transco of each User's gas flow and then flow the gas as required by such a notice. This would be a requirement of the SCA. Transco would create the required Input Nominations on AT Link on behalf of Shippers that have been constrained on. For the purpose of creating the Input Nominations, each Shipper's quantity would be equal to the quantity as notified by the Storage Operator to Transco.

Users of CSFs, via the relevant Storage Terms, would be required to authorise Storage Operators of CSFs to flow gas on their behalf at the request of Transco.

If this Modification Proposal is implemented, the Generic Storage Connection Agreement would need to be amended to reflect the changes contemplated by this Modification Proposal.

2. Transco's Opinion

Transco believes the removal of the SNA provisions from the Network Code would ensure that Nominations in respect of SCPs are treated in a manner consistent with the treatment of Nominations at all other Entry and Exit Points on Transco's System.

Transco believes it is necessary for it to retain the ability and obligation to create Input Nominations on a Users behalf in circumstances when Transco is required to constrain gas flows on at CSFs. For the purpose of creating Input Nominations, each Shipper's quantity would be equal to the quantity as notified by the Storage Operator to Transco. Furthermore, Transco are of the opinion that the creation of a corresponding Storage Nomination to the Storage Operator in these circumstances should remain the responsibility of the User.

Transco believes Shippers should manage their own storage inventory levels. This would be achieved by requiring Shippers, via provisions in the Network Code, not to submit Storage Withdrawal Nominations which would result in a breach of their Weekly Minimum Requirement.

In the event of a Storage Operator receiving a Storage Withdrawal Nomination which would result in a breach of a Shipper's Weekly Minimum Requirement, the Storage Operator would inform Transco immediately so that Transco may ensure appropriate action is taken to maintain the aggregate monitor level.

3. Extent to which the proposed modification would better facilitate the relevant objectives

The removal of the SNA provisions from the Network Code would facilitate consistency in the service provided to Users of SCPs relative to the service provided at all other Entry and Exit Points on Transco's System.

Implementation of this Modification Proposal would better facilitate Standard Condition 7 (1)(b) of Transco's PGT Licence by ensuring the consistent treatment of Shippers as required by Standard Condition 11 (1).

In the event of new Storage Operators offering a constrained storage service to Transco and the Shipping community, it would be fundamental that Transco be able to constrain on gas when firm demand approaches 1-in-20 peak day levels and for Users of CSF not to withdraw gas which would put them in breach of their Weekly Minimum Requirement as defined in Transco's Network Code. The scope of this Modification Proposal is sufficient to encompass revised rules for both constraining on gas and for requiring Shippers not to breach their Weekly Minimum Requirement thus enabling Transco to maintain compliance with Standard Condition 13 of Transco's PGT Licence.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

If the SNA provisions are removed from the Network Code an alternative contractual mechanism would be required by which CSFs would be managed. Transco proposes to modify its Network Code and SCAs in such a manner to better reflect the existing administrative processes used to currently manage gas flows and stocks at CSFs. As such Transco believes this Modification Proposal would not impact on the operation of the System if it is implemented.

b) development and capital cost and operating cost implications:

Removal of the SNA provisions from the Network Code and the consequential revisions to the contractual mechanism for managing gas stocks and flows at Constrained Storage Facilities would not increase Transco's capital or 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:

There are no costs arising from this Modification Proposal that Transco would seek to recover.

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

Transco is not aware of any consequence this Modification Proposal would have on price regulation.

5. 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

The level of contractual risk to Transco under the Network Code would not be increased if this Modification Proposal was to be implemented.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

AT-Link provides the functionality which currently enables Transco to pass Nomination information to one Storage Operator. If the SNA provisions are removed from the Network Code, the functionality that passes Users' Nominations to the Storage Operator would be disabled.

The implications for the related computer systems of Users are as follows:

Users would continue to be required to submit Input and Output Nominations to Transco via AT-Link for Storage Connection Points;

Users would submit separate Storage Nominations directly to the relevant Storage Operator independently of AT-Link;

The medium by which Storage Nomination information would be communicated between a Storage Operator and its customers would be a matter for agreement between those parties.

7. The implications of implementing the Modification Proposal for Users

When a User submits Input and Output Nominations to Transco via AT-Link regarding a Storage Connection Point, this Nomination information would not be passed onto the relevant Storage Operator. This is consistent with existing Network Code requirements which exist at all other entry and exit points on Transco's System. However, there would be a new requirement for Users to submit their Storage Nominations direct to the relevant Storage Operator independently of AT-Link.

When Transco constrains on gas flows at a CSF Transco would continue, on a Users behalf, to create and revise Nominations as now but these would only be for transportation purposes. Transco would notify Users when Transco constrains on their gas. Users would be required to submit and maintain the corresponding Storage Nomination direct to the Storage Operator or agree, via the relevant Storage Terms, for the Storage Operator to create and maintain these on their behalf.

An implication of this Modification Proposal is that Users would be required to actively manage their own Weekly Minimum Requirement in relation to any CSF where they have booked capacity. Users would be required, via provisions in the Network Code, not to submit Storage Nominations which would cause them to breach their Weekly Minimum Requirement at any Constrained Storage Facility.

It is not envisaged that this proposal would lead to an increase in workload or costs for Users. Users know the level of their bookings at Storage Facilities and the constrained percentage of those bookings where relevant. To date there has been no instance of a User submitting a Nomination which would cause a breach of its Weekly Minimum Requirement. This indicates that Users have pro-actively managed their own inventory levels.

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

The Generic SCA provides that Storage Operators will provide to Transco "such details of the quantity of stored gas constrained in the Storage Facility as Transco may from time to time require". This includes "such information as is necessary to enable Transco to comply with its current Safety Case". The Storage Operator would be required, via the SCA, to inform Transco immediately in the event of a Shipper submitting a Storage Withdrawal Nomination which would result in that Shipper's Weekly Minimum Requirement being breached so that Transco may ensure the appropriate action is taken.

To 'constrain on', it is proposed that Transco would notify the relevant Storage Operator of the Gas Day and start time when the Constrained gas is required, the required flow rate, the End of Day Quantity and the CSF from which the constrained gas is to flow. The Storage Operator would determine what volume of gas to flow on behalf of each User at the Constrained Storage Facility, inform Transco of each User's gas flow and then flow the gas required. This would be a requirement of the SCA.

If this Modification Proposal is implemented, the Generic SCA would need to be amended to reflect the changes implemented by this Modification Proposal.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

There would be no alteration to the legislative and regulatory obligations or contractual relationships of Transco and each User and Non-Network Code Party as a result of implementing this Modification Proposal.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

ADVANTAGES:

Implementation of this Modification Proposal would facilitate consistency of services provided to Users of SCP relative to all other System Entry and Exit Points on Transco's System.

Implementation of this Modification Proposal would remove a commercial advantage enjoyed only by Users of SCPs where the SNA service is provided thus facilitating the consistent treatment of Users of Transco's System.

Removal of the SNA provisions from the Network Code would facilitate the consistency of terms by which new Storage Operators connect to Transco's System.

DISADVANTAGES:

Users of SCPs would be required to duplicate Nominations. Users would be required to submit Input and Output Nominations to Transco via AT-Link for transportation purposes and in addition Users would be required to submit Storage Nominations direct to the relevant Storage Operators.

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

Two representations were received with regard to this Modification Proposal. Both British Gas Trading and Scottish and Southern Energy plc expressed their support for this Modification Proposal.

Scottish and Southern Energy plc and British Gas Trading raised the following concerns:

1. Scottish and Southern Energy plc were less comfortable "...with the concept that Transco should continue to nominate for Constrained Storage Facilities." suggesting that it "...would be more appropriate if the default option was for Users to place the nominations, with Transco 'stepping in' on nominations only if the User breaches the minimum inventory requirement."

If the Modification Proposal is implemented, Transco would only create or revise Users Input Nominations where Transco has 'constrained on' Users' gas as now. Transco would continue to do this to ensure that Users' exposure to Scheduling Charges and Balancing Neutrality Charges are not altered as a consequence of this Modification Proposal. Transco does not propose to create or revise Users' Nominations in any other way.

2. British Gas Trading (BGT) expressed the view that Storage Operators should not be required via provisions in the Network Code to manage Users' Weekly Minimum Requirement at CSFs.

Transco accepts BGT's comments as being similar to current obligations as to management of the Weekly Minimum Requirement. Some Users may wish to contract with the Storage Operators to secure such a service, however, this need not be a Network Code issue. Transco has thus amended this Modification Proposal and the legal text accordingly.

3. BGT identified that for the purposes of 'constraining on' Transco would inform the Storage Operator of the required flow, the Storage Operator would then decide the quantities that should flow for each Shipper in line with the Storage Terms of the relevant Storage Facility.

BGT suggested that the Storage Operator would also create the requisite Storage Nominations when constraining on a Shipper and this requirement would be reflected in the SCA. Transco believes that it is at the discretion of each Storage Operator wishing to offer constrained storage services to agree, via the relevant Storage Terms, that it would create Storage Nominations for Users when and if Transco constrain on their gas. Transco does not believe that this should be a mandatory requirement of the SCA.

Transco LNG Storage have indicated they would create the Storage Nominations on behalf of Users' that are constrained on at their Storage Facilities. In light of this, corresponding amendments to Section Z have been incorporated into the legal text.

4. BGT interpreted the proposed amendment to Section R4.2 as empowering Transco to make a Constrained Storage Renomination without seeking advice from the relevant Storage Operator as to what quantities to nominate on behalf of each User.

Transco proposes to create Input Nominations on behalf of Users that are constrained on subject to the quantities determined by the relevant Storage Operator. Transco has amended the legal text in light of BGT's comments so as to remove any ambiguity.

5. BGT identified that "...following Section R4.3 ... Transco will allocate in the knowledge of the aggregate amount of all Users' gas in storage....". However, BGT expressed concern that Section R4.3 provides Transco with the right to information on individual User inventory levels at CSFs.

It is Transco's interpretation that Section R4.3 entitles Transco to have access to the *aggregate* amount of gas held by Shippers at CSFs and not individual Shipper's inventory levels. Therefore, Transco believes that Section R4.3 is consistent with this Modification Proposal and no change has been made in respect of this.

6. BGT suggested that Section Z1.4 should identify how Transco LNG will determine Storage Withdrawal Nominations when gas is to be constrained on.

Transco has made amendments to the legal text accordingly.

7. BGT suggested that the proposed revisions to sections K and P have nothing to do with this Modification. BGT suggested that these amendments were neither explained or justified.

It is Transco's opinion that the suggested amendments to Section P and Section K are fundamental to this Modification Proposal since the definitions in those paragraphs requiring amendment rely on definitions whose meaning would change as a result of this Modification Proposal. If this Modification Proposal is implemented the concepts of Storage Nominations as opposed to transportation Nominations (Input and Output) would have to be separated. This would then reflect the differing responsibilities of various parties to create and revise such Nominations. Transco thereby believes that the amendments are implicit to the Modification Proposal and therefore justified.

8. BGT requested that Section P1.5 be modified to reflect recent changes made by Modifications.

Transco believes that it would be inappropriate to amend Section P1.5 at this time as such amendments are not contemplated by this Modification Proposal, however, there is an outstanding Topic with the Planning and Security (including Storage) Workstream, the purpose of which is to review Section P. Following the opportunity to fully consult on this issue the review of Section P may encompass the suggested amendment to Section P1.5.

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

In the event of new Storage Facilities being designated as a CSF Transco would need to be able to constrain on gas when firm demand approaches that anticipated on a 1-in-20 peak day demand.

This Modification Proposal is therefore required to enable Transco to continue its compliance with section 9(1) and (2) of the Gas Act 1986 (as amended by the Gas Act 1995).

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

This Modification Proposal is not required due 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.

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

If this Modification Proposal is implemented, Transco would disable the AT-Link functionality that provides the SNA service.

In order that the generic SCA reflects any amendments to the Network Code resulting from the revised responsibilities of Users of CSFs and the removal of the option for Storage Operators to elect that a Storage Nomination Arrangement shall apply, it would be necessary to agree and implement amendments to the generic SCA as soon as possible after implementation of this Modification Proposal.

If this Modification Proposal is implemented Users of Storage Facilities would need to agree with the relevant Storage Operators the method and terms by which Storage Nomination information would be exchanged between the parties.

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

Ofgem decision 9 June 2000

Implementation 12 June 2000 at 06:00

Amendments to the Storage Connection Arrangements would be made in accordance with clause 5.3 of the Generic Storage Connection Agreement.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal is implemented.

17. 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.

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.

18. Transco's Proposal

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

19. Text

REVISED STORAGE NOMINATION ARRANGEMENTS

Draft proposed legal text

SECTION K: OPERATING MARGINS

Amend paragraph 3.7.1 to read as follows:

"....

- (i) ... (in accordance with paragraph 3.8), make an Input Nomination (and a corresponding Storage Withdrawal Nomination) (for Winter Carry-across Gas)....".

SECTION P: TOP-UP STORAGE

Amend paragraph 2.7.2 to read as follows:

"....

- (vi)make an Output Nomination (and a corresponding Storage Injection Nomination) for a Day....".

Amend paragraph 3.2.5 to read as follows:

"....

- (i) make an Output Nomination(s) for Nomination Quantity(ies) (and corresponding Storage Injection Nominations) and/or;
- (ii)under Output Nomination(s) (and the Storage Nomination Quantities under corresponding Storage Injection Nomination(s)) which....". 'Storage Nomination Quantity'; new defined term; see new Section R2.1(e).

Amend paragraph 3.3.1 to read as follows:

"....make an Output Nomination (including a Renomination) and a corresponding Storage Injection Nomination (including a Storage Renomination) in respect of....". 'Storage Renomination'; new defined term; see new Section R2.1(d).

Amend paragraph 3.4.2 to read as follows:

"....under initial Storage Withdrawal Nominations made by Users for the Day."

Amend paragraph 3.4.3 to read as follows:

"....pursuant to Output Nominations (and corresponding Storage Injection Nominations) in accordance with paragraph 3.4.4."

Amend paragraph 3.4.4 to read as follows:

"...under Output Nominations (and corresponding Storage Injection Nominations) made by the Top-up Manager....

....

- (ii) under Input Nominations (and corresponding Storage Withdrawal Nominations) (other than made by Transco....".

Amend paragraph 3.4.5 to read as follows:

"...User's Nominations are revised.... revise its Output Nominations (and corresponding Storage Injection Nominations) pursuant to paragraph 3.4.3."

Amend paragraph 3.6.1 to read as follows:

"Where the Top-up Manager makes an Output Nomination (and corresponding Storage Injection Nomination) under paragraph....

- (i) ..., make an Input Nomination (and corresponding Storage Withdrawal Nomination) (for Winter Carry-across Gas)....

....

....under such Output Nomination (and corresponding Storage Injection Nomination)".

Amend paragraph 3.6.2 to read as follows:

"...make or revise an Output Nomination (and corresponding Storage Injection Nomination)....".

Amend paragraph 3.6.4 to read as follows:

"...an Output Nomination (and corresponding Storage Injection Nomination) under paragraph....".

SECTION R: STORAGE

Delete paragraph 1.3.2.

Delete text at paragraph 2.1 and insert text to read as follows:

"For the purposes of the Code:

- (a) a **"Storage Injection Nomination"** in respect of a Storage Facility is a nomination in respect of a quantity of gas to be injected into the Storage Facility;
- (b) a **"Storage Withdrawal Nomination"** in respect of a Storage Facility is a nomination in respect of a quantity of gas to be withdrawn from the Storage Facility;

- (c) a "Storage Nomination" is a Storage Injection Nomination or a Storage Withdrawal Nomination;
- (d) a "Storage Renomination" is a Storage Nomination which is made after the Storage Nomination Time and which revises an earlier Storage Nomination (including a Storage Renomination); and
- (e) "Storage Nomination Quantity" is the quantity nominated for injection or withdrawal under a User's prevailing Storage Nomination."

Delete paragraph 4.1.3 and insert 'Not Used.'

Amend paragraph 4.1.4(b) to read as follows:

"the rate of flow ("**Constrained Threshold Demand Flow**") at a Constrained Storage Point at which Transco may make Constrained Storage Renominations in respect of the relevant Constrained Storage Facility;"

Amend paragraph 4.2.3 to read as follows:

"...Constrained Threshold Demand Flow; and where....". Typographical (paragraph now one, not two, sentences therefore following Code drafting convention).

Amend paragraph 4.2.1 to read as follows:

"Each User holding Storage Space in a Constrained Storage Facility authorises Transco to make an Input Nomination ("**Constrained Storage Renomination**") in respect of the relevant Storage Connection Point on behalf of the User in accordance with this paragraph 4."

Amend paragraph 4.2.2 to read as follows:

"...where the User has not already made an Input Nomination in respect of the relevant Storage Connection Point (and accordingly....".

Amend paragraph 4.2.4 to read as follows:

"The Nomination Quantity ("**Constrained Nomination Quantity**") under a Constrained Storage Renomination shall be:

- (a) in the case of a Transco LNG Facility, the Storage Constrained Nomination Quantity determined in accordance with Section Z6.9; and
- (b) in the case of any other Storage Facility, the quantity determined in accordance with the relevant Storage Terms."

Amend paragraph 4.2.7 to read as follows:

"...revise the Constrained Storage Renominations such that the Constrained Nomination Quantities are, in the case of Constrained Storage Renominations:

- (a) in respect of a Transco LNG Storage Facility, equivalent to the Storage Constrained Nomination Quantities determined in accordance with Section Z6.9.4; and
- (b) in respect of any other Storage Facility, equivalent to the quantities determined in accordance with the relevant Storage Terms."

Renumber existing paragraph 4.3.1 as paragraph 4.2.8 and at paragraph 4.3 insert 'Not Used'.

Delete text at paragraph 4.3.2. Moved to new Section Z6.9.

Delete text at paragraph 4.4 and insert 'Not Used'. Moved to new Section Z6.9.

Amend paragraph 4.5.1 to read as follows:

"The relevant Storage Terms will provide in relation to a User holding Storage Space in the Constrained Storage Facility....'.

Amend paragraph 4.6.5 to read as follows:

"....the User may not make any Input Nomination in respect of the relevant Storage Connection Point for the relevant Constrained Storage Facility....".

Amend paragraph 4.6.6 to read as follows:

"....to reject an Input Nomination in respect of the relevant Storage Connection Point for the Constrained Storage Facility which would....".

Add new paragraph 4.6.10 to read as follows:

"A User will not make a Storage Withdrawal Nomination which would result in the requirement in paragraph 4.6.1 ceasing to be satisfied or at a time at which such requirement is not satisfied.".

Amend paragraph 4.7.2 to read as follows:

"....

- (a)make an Input Nomination in respect of the relevant Storage Connection Point for the Constrained Storage Facility (and corresponding Storage Withdrawal Nomination) (for Winter Carry-across Gas)....".

Amend paragraph 4.7.3 to read as follows:

"....shall apply in respect of Output Nominations in respect of the relevant Storage Connection Point for Constrained Storage Facilities made by the Top-up Manager (and corresponding Storage Injection Nominations)....shall include an Output Nomination (and corresponding Storage Injection Nomination) made pursuant to this paragraph 4.7."

SECTION Z: TRANSCO LNG CONSTRAINED FACILITIES

Amend paragraph 1.2.2 to read as follows:

"....will be the Storage Nominated Quantity...."

Amend paragraph 1.4.1 to read as follows:

"Without prejudice to paragraphs 5.8.1 and 5.8.2, Users will make Storage Nominations to Transco LNG Storage in respect of injections and withdrawals of gas from Transco LNG Facilities."

Delete text at paragraph 1.4.3 and insert 'Not Used'. Text moved to Section R2.1.

Amend paragraph 1.4.4 to read as follows:

"Transco LNG Storage will only act on User's Storage Withdrawal Nominations where such are received (or deemed to be received) by Transco LNG Storage....".

Amend paragraph 1.4.5 to read as follows:

"....pursuant to a request from Transco".

Add new paragraph 1.4.6 to read as follows:

"Where Transco LNG Storage delivers gas to the System at the request of Transco, the Constrained Nomination Quantity will be independent of the relevant User's Available Deliverability, and the User will be liable (in accordance with paragraph 7) to pay any Storage Overrun Charges which may arise as a result of such delivery."

Amend paragraph 5.7.4 to read as follows:

"...such revised Storage Nomination Quantities....".

Amend paragraph 5.8.1 to read as follows:

"Storage Injection Nominations will be made on behalf of Users by Transco LNG Storage;....".

Amend paragraph 5.8.4 to read as follows:

"....will be the Storage Nominated Quantity....".

Amend paragraph 6.1.6 to read as follows:

"....that the Storage Nomination Quantities under....".

Amend paragraph 6.2.1 to read as follows:

"....may make a Storage Renomination in respect of....".

Amend paragraph 6.2.2 to read as follows:

"Where a User makes a Storage Renomination of a Storage Withdrawal Nomination (such a Storage Renomination or Storage Nomination a".

Amend paragraph 6.3 to read as follows:

"....will be the Storage Nominated Quantity....".

Amend paragraph 6.4.1 to read as follows:

"...., for a Storage Nominated Quantity....".

Amend paragraph 6.4.3 to read as follows:

"...., for a Storage Nominated Quantity....".

Amend paragraph 6.4.4 to read as follows:

"....not make a Storage Renomination pursuant to which the Storage Nomination Quantity....".

Amend paragraph 6.6.1 to read as follows:

"....

(b)equal to the Storage Nominated Quantity....".

Amend paragraph 6.6.4 to read as follows:

"....equal to the Storage Nominated Quantity....".

Add new paragraph 6.9 to read as follows:

"6.9 Storage Constrained Nomination Quantity Text formerly at Section R4.3.2 and 4.4.

6.9.1 On a Constrained Storage Day Storage Withdrawal Nominations will be made by Transco LNG Storage on behalf of Users ("Storage Constrained Renomination"); and the Storage Nomination Quantities will be determined in accordance with this paragraph 6.9.

6.9.2 Subject to paragraph 6.9.3, where on any Constrained Storage Day more than one User has gas-in-storage in a Constrained Storage Facility, the Storage Nomination Quantity ("Storage Constrained Nomination Quantity") for each User shall be determined so that each of the following conditions are satisfied:

- (a) the aggregate of the Storage Constrained Nomination Quantities under the Storage Constrained Renominations shall be equal to the Total Constrained Quantity;
- (b) for each User, the Storage Constrained Nomination Quantity shall not exceed the User's gas-in-storage for the Constrained Storage Day;
- (c) subject to paragraph (a), where a User has already made a Storage Withdrawal Nomination for the Constrained Storage Facility, the Storage Constrained

Nomination Quantity shall not be less than the Storage Nomination Quantity prevailing at the time the Storage Constrained Renomination is made; and

- (d) for each User for whom the Storage Constrained Nomination Quantity exceeds the Storage Nomination Quantity prevailing under any Storage Withdrawal Nomination already made (or who has not made any Storage Withdrawal Nomination), the Storage Constrained Nomination Quantities shall be in the proportions in which all such Users have Available Storage Space on the Constrained Storage Day.

6.9.3 Where the Total Constrained Quantity is less than the aggregate of the Storage Nomination Quantities under Storage Withdrawal Nominations already made by Users in respect of the relevant Constrained Storage Facilities for the Constrained Storage Day:

- (a) Storage Constrained Nomination Quantities will be determined in accordance with paragraph 6.9.4;
- (b) the Storage Constrained Renominations shall not take effect to revise the Storage Withdrawal Nominations made by Users and prevailing at the time the Storage Constrained Renomination is made (and accordingly the Storage Nomination Quantity under each such User's Storage Withdrawal Nomination shall prevail over the Storage Constrained Nomination Quantity); and
- (c) no User may make a Storage Renomination in respect of the relevant Storage Connection Point such that the Storage Nomination Quantity (prevailing after such Storage Renomination) would be less than the Storage Constrained Nomination Quantity determined in accordance with paragraph 6.9.4.

6.9.4 Storage Constrained Nomination Quantities shall be determined in accordance with paragraph 6.9.2 but so that the following provisions shall apply in lieu of paragraphs 6.9.2 (c) and (d) (which shall not apply):

- (a) where the User has not already made a Storage Withdrawal Nomination the Storage Constrained Nomination Quantity shall be zero;
- (b) where a User has already made a Storage Withdrawal Nomination, the Storage Constrained Nomination Quantity shall not be greater than the Storage Nomination Quantity prevailing at the time the Storage Constrained Renomination is made;
- (c) for each User for whom the Storage Constrained Nomination Quantity is less than the Storage Nomination Quantity prevailing under any Storage Withdrawal Nomination already made, the Storage Constrained Nomination Quantities shall be in the proportions in which all such User's have Available Storage Space on the Constrained Storage Day."

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0395**, version **3.0** dated **02/06/2000**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **3.0**.

Signature:

Process Manager - Network Code
Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") 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 Authority 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 paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriateprovided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.