Modification Report
Section P Re-write
Modification Reference Number 0429

Version 4.0.

This Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

This Modification Proposal consists of a number of elements which are complimentary to aid the operation of the Top-up regime. This includes:

* Correct minor cross referencing errors

Several minor numbering errors appear in Section P which should be amended to maintain the requisite level of accuracy desired in the Network Code. This would remove any ambiguity and misunderstanding which could otherwise materialise. These cross references would not materially alter Section P of the Network Code as written and would be identified in the legal drafting for this Modification Proposal.

* Re-introduce a generic definition of Facility Type

Under a previous Modification Proposal the definition of Storage Facility Type was deleted. Much of Section P relies on the definition of particular Storage Facility Types. The previous definition of Facility Types was based on named facilities i.e. Rough, Hornsea and LNG rather than the characteristics of those sites. It is proposed to reintroduce a definition of Storage Facility Type based on service duration derived from deliverability rates. Specifically it is proposed that three Storage Facility Types be defined based on service durations of less than 10 days, less than 30 days but greater than or equal to10 days and greater than or equal to 30 days. Defining facility types in this manner is more generic but comparable with the previous facility type definitions, and will allow Section P to function properly. These definitions would be necessary to facilitate changes to the monitoring of stocks and monitor levels mentioned later.

* The Top-up Manager should have access to information at the aggregate level for each Storage site.

Section P contemplates that the Top-up Manager will have information on gas Stocks in a facility at the individual Shipper level. This level of detail is in excess of that contemplated by the Storage Connection Agreement which requires the Storage Operator to provide details on stocks at the aggregate level. The Top-up Manager is able to fulfil his role adequately with information at the aggregate level which would ensure consistency with the level of information provision contemplated in the Storage Connection Agreement. This would require a change to the Network Code

* Allow all stored gas to contribute to monitor levels

The introduction of Storage Competition has led to a requirement to change the definition of which storage bookings the Top Up Manager will use to determine whether or not a Top-up requirement exists both ahead of the year and within year. It is proposed that it would be most appropriate to only contemplate gas which is capable of being withdrawn during the winter period as gas which should be considered as contributing to the monitor level. This should include all gas relating to all customers of a Storage Facility whether they are a User of Transco's System or not.

* Allow surplus Operating Margins gas to contribute to monitor levels

For supply security each facility type has a monitor level which has to be maintained as well as an aggregate monitor level across all sites. Where a shortfall against the aggregate monitor level exists the Top-up Manager has to take action to arrange for gas to be injected into the store to maintain the declared security of supply standard. The Top-up Manager can purchase gas to inject or arrange a transfer from the Operating Margins account, if a surplus exists, at a price predetermined by the Network Code. Since OM and Top-up are funded by different parties it is desirable to allow surplus OM gas to be counted towards the monitor level without actually conducting a financial transfer between the Top-up and Operating Margins accounts unless the gas is used.

* Allow surplus stocks in shorter duration facilities to contribute to the stock levels required in longer duration facilities.

The Network Code prescribes a hierarchy for monitor level maintenance. For example, there may be sufficient gas stocks in aggregate across all sites to meet the aggregate monitor level but a deficit of stocks may coexist in specific facility types. Where this occurs the current rules require injections to be made into the specific facility in deficit to bring stock levels back up to the site specific monitor level. Surplus LNG could easily act as a substitute for Rough or Hornsea and Hornsea could substitute for Rough, to some extent. The Network Code preclude the substitution of longer duration facility type stocks with those from shorter duration facilities. To ensure the monitor levels are maintained in the most economic and efficient manner possible, it is proposed that surplus stocks in shorter duration facilities should be allowed to contribute to the stock levels required in longer duration facilities.

* Review supply security level within year

It is expected that as storage competition develops and the storage market becomes more differentiated the current single date driven event for determining security of supply standard may no longer be relevant. At this time a determination of the Top-up requirement for the year is made, but The Network Code does not contain a mechanism for reviewing the declared Supply Security level within year. For example if new gas storage facilities become available within year then it is proposed that it should be possible to

review the declared supply security level. This would take into account any additional storage bookings in the new storage facilities, changes to forecasts of supply and demand and would enable the Top-up requirement for the year should be redetermined.

* Gas Transfers under the terms of Late Booking

Currently, the Network Code states that in the event that the Top Up Manager has unfilled Storage Space, and a User is registered as holding Storage Capacity with an application made after the Invitation close date, then the Top Up Manager will surrender an amount of capacity equal to but not exceeding the amount of unfilled Storage Space it holds, to the User. Currently this applies to all Storage facilities. However, third party Storage Operators, except Transco LNG, may not have such provisions in their relevant Storage terms and as such it is proposed that these provisions should only apply to those Storage Operators whose Storage Terms contain matching provisions.

* Gas Transfers at 105% WACOG

The Network Code allows a Shipper to ask the Top-up Manager to transfer gas in store to a User at 105% of the Weighted Average Cost of Gas (WACOG) as defined in the Network Code. At the time the Network Code was written it was envisaged that this price was significantly high to discourage Users from asking for a gas transfer and was intended to incentivise Users to book and fill storage early. However, recent market prices have shown that 105% of WACOG has been less than the cost of NBP gas plus injection charges. This means that some Users could benefit from demanding a transfer of gas in store rather than purchasing gas from the market, in effect they could save money by forcing a transfer from the Top-up Manager when market conditions permit. Since Market prices may no longer allow the 105% WACOG incentive to work, it is proposed to establish a new mechanism for the pricing of transfers which would be 105% of the greater of WACOG or NBP gas plus injection charges of the appropriate facility in which the transfer would take place. This would keep the original incentive intact.

2. Transco's Opinion

Transco believes that this Modification would correct the inconsistencies within Section P, caused by previous Modification Proposals. These changes would also better reflect the changed relationship between Transco, Storage Operators and the Top Up Manager and remove the potential for confusion when interpreting Section P of the Network Code.

* Correcting minor cross referencing errors

Several minor cross referencing errors appear in Section P which should be amended to maintain accuracy within the Network Code. It is Transco's opinion that this would remove the potential for ambiguity or misunderstanding which might otherwise materialise. Transco believes that these cross reference corrections would not materially alter Section P as written.

* Re-introduce a generic definition of Facility Type

It is Transco's opinion that defining facility types in this manner is more generic but comparable with the previous facility type definitions, and will allow Section P to function as originally intended. These definitions would also facilitate proposed changes to the method used for the calculation of monitor levels (discussed later) to enable Transco to better facilitate the relevant objectives.

* The Top-up Manager should have access to information at the aggregate level for each Storage site.

Section P contemplates that the Top-up Manager will have information on gas Stocks and Bookings in a facility at the individual Shipper level. This level of detail is in excess of that contemplated by the Storage Connection Agreement which requires the Storage Operator to provide details on stocks and bookings at the aggregate level. Transco believes the Top-up Manager is able to fulfil his role adequately with information at the aggregate level, rather than at the individual User level, and therefore this element of the proposal would ensure consistency with the level of information provision contemplated in the Storage Connection Agreement.

* Allow all stored gas to contribute to monitor levels

Transco believes that the development of storage competition has potentially removed the ability for some gas stored in a Storage Facility to be capable of contributing to the monitor level. This could result in a higher than necessary Top Up requirement being declared and potentially an unnecessary declaration of reduced Supply Security level. As such Transco believes all stored gas should contribute to the monitor level and Top Up determination. It is probable that stored gas will flow into the System on a day, whether the gas belongs to a User or Non-User, on a day when market prices are high.

Transco is of the opinion that this element of the proposal would enable a more economic and efficient method of satisfying the contractual obligations in respect of Security of Supply by allowing better tailoring of Top Up quantities to actual needs.

* Allow surplus Operating Margins gas to contribute to monitor levels

Currently for supply security, each facility type has a monitor level which has to be maintained as well as an aggregate monitor level across all sites. Where a shortfall against the aggregate monitor level exists the Top-up Manager may arrange for gas to be injected in order to maintain the declared security of supply standard. The Top-up Manager can purchase gas to inject or arrange a transfer from the Operating Margins account, if a surplus exists, at a price predetermined by the Network Code, Transco believes that as OM and Top-up are funded by different parties it would be desirable to allow surplus OM gas to be counted towards the monitor level without actually conducting a financial transfer between the Top-up and Operating Margins accounts unless the gas is used. Transco is of the opinion that this Modification Proposal would ensure unnecessary and uneconomic Top Up costs are avoided without impacting on the declared level of Security of Supply.

*Allow surplus stocks in shorter duration facilities to contribute to the stock levels required in longer duration facilities.

In Transco's view the existing Network Code rules for monitor level maintenance are no longer appropriate to facilitate it's relevant objectives. For example, there may be sufficient gas stocks in aggregate across all sites to meet the aggregate monitor level but a deficit of stocks may coexist in specific facility types. Where this occurs the current rules require injections to be made into the specific facility in deficit to bring stock levels back up to the site specific monitor level.

Transco believes that allowing surplus gas in shorter duration facilities to contribute to longer duration facilities deficits, without requiring a transfer of gas, would avoid any unnecessary purchase of Top Up gas within year. Transco believes this better facilitates the relevant objectives.

* Review supply security level within year

It is Transco's opinion that as storage competition develops further and the storage market becomes more differentiated the current single date driven event for determining supply security may no longer be relevant. The Network Code does not contain a mechanism for reviewing the declared Supply Security level within year if new gas storage facilities become available within year. Transco therefore believes it is desirable to introduce a mechanism to review the level of Supply Security within year enable the Supply Security to be increased from a previously declared decrease by virtue of increased availability of access to Stored Gas and Storage Capacity.

* Gas Transfers under the terms of Late Booking

The Network Code rules state that in the event that the Top Up Manager has unfilled Storage Space, and a User is registered as holding Storage Capacity with an application made after the Invitation close date, then the Top Up Manager will surrender an amount of capacity equal to but not exceeding the amount of unfilled Storage Space it holds to the User, is no longer enforceable at all Storage Facilities. Transco recognise that the Network Code provisions may not necessarily bind all Storage Users and indeed all Storage Operators. However, Transco believes that where a Storage Operator has Storage Terms that reflect the late booking rules included within the Network Code then the Top Up Manager will comply.

* Introduction of a modified transfer pricing mechanism.

When the current transfer price of 105% of WACOG as defined in the Network Code is less than the cost of NBP gas plus injection charges, as has recently been observed, then some Users could benefit from completing a transfer of gas in store rather than purchasing gas from the market. In effect they could save money by forcing a transfer from the Top-up Manager when market conditions permit.

It is Transco's opinion that changes to the pricing of gas transfers which better reflect the appropriate cost of gas on the day of the transfer are necessary to ensure that Shipper incentives for booking appropriate levels of storage capacity remain intact

and avoid the generation of additional Top Up costs. This would ensure that Shippers' decision to purchase storage capacity and gas remain independent of any decisions which might be taken by the Top Up Manager.

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

This Modification Proposal would better facilitate the following relevant objectives:

* Condition 7 (1) (a) - "the economic and efficient operation by the licensee of it's pipeline system";

* Condition 7 (1) (d) - "reasonable economic incentives for relevant suppliers to secure that the domestic supply security standards are satisfied.";and,

* Condition 7 (1) (c) - "the securing of effective competition between relevant shippers and between relevant suppliers."

This would be achieved by:

Enabling a more appropriate method for defining which Storage bookings would contribute towards monitor levels. Originally it was envisaged that only Users gas would be held in store, but this is no longer the case. Therefore this proposal would allow Non Users Storage Bookings to contribute to the monitor level with the understanding that the gas held in these bookings could flow into the system if market conditions are right and would therefore introduce the potential for the avoidance of Top Up costs.

Introducing a process to ensure that any surplus gas in a Facility can contribute to the monitor level of a Facility with a deficit provided the deficit Facility is of a longer duration type. This would avoid the generation of unnecessary and uneconomic Top Up costs, whereas existing arrangements would result in the unnecessary purchase and sale of gas for Top Up purposes.

Introducing a more cost efficient way of allowing surplus Operating Margin stocks to contribute to the monitor level of the same Facility, will avoid Top Up costs. Existing arrangements require a financial transaction at the time of transfer, the new arrangements would only require a transfer and therefore a financial transaction if the gas was used whilst still allowing surplus OM gas to contribute to the Facility monitor level.

Changing the method of pricing gas transfers to one which better reflect the appropriate cost of gas on the day of the transfer. This would maintain Shipper incentives to book and fill appropriate levels of Storage Capacity early, thereby avoiding Top Up costs.

This proposal would, by ensuring clarity and transparency within Section P, ensure that the Network Code better reflects and supports the contractual arrangements in place to promote competition in the Storage market

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

a) implications for the operation of the System:

There are no implications for the operation of the system as a result of the implementation of this Modification Proposal.

b) development and capital cost and operating cost implications:
There are no development, capital or operating cost implications as a result of the implementation of the Modification Proposal.

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 would be no costs arising from the implementation of this Modification Proposal.

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

There would be no consequences arising with regard to price regulation as a result of the implementation of this Modification Proposal.

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

Implementation of this Modification Proposal would prevent unnecessary Top Up costs being incurred thereby reducing the contractual risk to Transco in it's role as the Top Up Manager, this would be achieved by;

Ensuring all gas held in store that could be made available to the System is taken into account during the before year and within year Top Up determination process.

Including, where appropriate, the use of a Shorter Duration Facility's surplus stock to offset a Longer Duration Facility's deficit and thereby avoid any unnecessary sale or purchase of gas by the Top Up Manager.

Implementation of this proposal would also ensure that the appropriate revenue could be realised by the Top Up Manager when completing gas transfers with Storage Users by using an appropriate price, relating to either WACOG or the highest priced gas on the transfer day. This would encourage Shippers to make Storage service purchasing decisions independent of any likely action taken by the Top Up Manager.

Implementation of the Modification Proposal would prevent unnecessary Top Up costs being incurred in gas transfers between the Top Up Manager and the Operating Margins Manager. This would remove the need for a financial transaction to take place when allowing surplus OM gas to contribute towards the monitor level unless it was actually used.

This ensures that Top Up Manager costs are only incurred when necessary and prevents any transfers at WACOG which might later result in a Top Up surplus. It is acknowledged that any surplus could then be sold by tender at a price higher than WACOG which might benefit the Top Up Manager but to the detriment of Users who fund the Operating Margins gas costs.

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

There are no known development or other implications for computer systems of Transco or related computer systems of Users that would result from the implementation of this Modification Proposal.

7. The implications of implementing the Modification Proposal for Users

Implementing this Modification Proposal would reduce the potential for misinterpretation of Section P by correcting cross-references. This Modification Proposal would also better reflect the changed relationship between Transco, Storage Operators, the Top Up Manager and Storage Users following the liberalisation of the UK gas storage market.

Implementation of this Modification Proposal would remove the need for Storage Operators to submit information about individual Storage Users stock levels at each facility to Transco and would replace this with a requirement for the information to be provided at an aggregate level for each facility, thereby removing the need for Transco to have access to potentially sensitive market information.

Implementation of this Modification Proposal would reduce the potential for the generation of unnecessary Top Up costs for Users particularly in respect of constrained Facilities.

Under certain circumstances the effect of carrying out an Operating Margins Gas Transfer could result in Users receiving lower revenues.

This proposal would also ensure Users have an incentive to book Storage early, and ensure that any decision to book and fill Storage Capacity is made independently of any likely action by the Top Up Manager.

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

The implementation of this Modification Proposal would affect the existing Storage Connection Agreement which would require amending to reflect the changes in the flow of information required between Transco and Storage Operators.

If this Modification Proposal is implemented Storage Operator's revised responsibilities under Surrender on Late Booking terms would need to be reflected in the relevant Storage Operator's Terms, to the extent that the Storage Operator so wished to include such terms.

Transco is not aware of any other implications resulting from the implementation of this Modification Proposal on Terminal Operators, Consumers, suppliers and producers.

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 are no known consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non Network Code Party that would result from the implementation of this Modification Proposal.

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

Advantages

* Clarity when referring to Section P by correcting cross references.
* The avoidance of unnecessary Top Up costs.
* Ensuring the incentive for Shippers to book appropriate levels of Storage Capacity remains intact
* Amending Section P to better reflect the changed relationship between Transco, Storage Operator(s), Top Up Manager and Storage Users.
* Maintaining high levels of Supply Security

Disadvantages

* No disadvantages were identified.

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

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Written representations were received in respect of Modification Proposal 0429 from Powergen, Aquila Energy and British Gas Trading.

All the representations were fully supportive of the Modification Proposal.

Powergen commented that "...the implementation should be as soon as possible in order to alleviate pressure over this peak winter period.".

British Gas Trading stated that it "...supports the proposal……”.

Powergen commented that "...the implementation should be as soon as possible in order to alleviate pressure over this peak winter period.".

British Gas Trading stated that it "...supports the proposed 'tidying' of the Top-up rules as an urgent priority...".

British Gas Trading are satisfied that its comments on the legal drafting have either been incorporated or fully considered but with changes being considered unnecessary at this stage. British Gas Trading therefore supports this Modification Proposal as a practical and pragmatic series of improvements to the Top-up rules.

Aquila did ask that consideration be given to the following points:

a) To avoid ambiguity, Aquila believe that Section P1.5.1 should state that the Top-up Manager shall have access to details of Storage Users use of Storage Facilities "in aggregate".

b) In respect of Section P4.1.1, in the interests of clarity, it may be appropriate to change the line "any Storage User may request the Top-up Manager to surrender Storage Space" to "any Transco LNG Storage User may request the Top-up Manager to surrender Storage Space."

In respect of point a), Transco acknowledges that the Top-up Manager should only have access to details of Storage Users bookings in aggregate. Section P1.5.2(i) of the legal text which is attached to this Modification Report clarifies this point accordingly.

In respect of point b), Transco is of the opinion that it is unnecessary to restrict the option to request a transfer of Storage Space from the Top-up Manager to Transco LNG Storage Users only.

On reviewing Section P4.1.1 Transco has formed the opinion that the wording of the legal text that is contained in the Draft Modification Proposal actually excludes any person, other than a person with existing rights in respect of a Storage Facility, from requesting a transfer of Storage Space from the Top-up Manager.

Transco has therefore amended P4.1.1 to state that "...any Storage User or User may request the Top-up Manager to surrender Storage Space...".

Section P4.1.10 of the amended legal text clarifies that such a transfer of Storage Space may be feasible in non Transco LNG Storage Facilities where the relevant Storage Terms permit such a transfer.

Transco believes that the amended legal text will not unduly discriminate as to the persons that may apply for Storage Space transfer from the Top-up Manager. Whether such a transfer is given effect will be determined by the Storage Terms of the relevant Storage Facilities.

Implementation of this Modification Proposal is not required to enable Transco to facilitate compliance with safety or other legislation.

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

Implementation of this Modification Proposal is not required to enable Transco to facilitate compliance with safety or other legislation.

13. 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 License

This Modification Proposal is not associated with any change in the methodology established under Standard Condition 3 (5) of the Licence or the statement furnished by Transco under Standard Condition 3(1) of the Licence.

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

No works are required to implement this Modification Proposal.

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

This Modification Proposal should be implemented no later than 13 December 2000 06:00 to ensure the benefits of this Modification Proposal are available for the peak winter period.

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16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends this Modification Proposal should be 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.

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

SECTION P: TOP-UP STORAGE

Amend paragraph 1.1.1 as follows:

"…Gas-in-storage held by Storage Users, and the quantities of gas withdrawn from Storage Facilities by Storage Users …".

Delete existing paragraph 1.1.3 and insert text currently at paragraph 1.2.1 amended as follows:

"1.1.3 The Top-up Manager may be a Storage User of Storage Facilities in accordance with the relevant Storage Terms; and in particular the Top-up Manager:

(i) may apply for and hold Storage Capacity in, and inject and withdraw gas to and from Storage Facilities,

(ii) may make Storage Gas Transfers, and

(iii) may, where appropriate, incur and pay Storage Charges

in accordance with the Relevant Storage Terms.".

Amend heading at paragraph 1.2 to read 'The Top-up Manager as a User of Transco LNG Storage Facilities'.

Renumber paragraph 1.2.2 as paragraph 1.2.1 and amend as follows:

"1.2.1 The General Provisions of Section Z are modified in respect of their application to the Top-up Manager as follows:

(i) the requirements of Section Z3 as to timing and approval of applications for Storage Capacity shall not apply to the Top-up Manager (and the Top-up Manager will only apply for capacity in a Transco LNG Storage Facility in accordance with Section Z3.7);

(ii) the requirements of Section Z5 as to the notice required of changes to injection quantities shall not apply to Top-up Manager;

(iii) Storage Overrun Charges will not be payable by the Top-up Manager in respect of injection to a Transco LNG Storage Facility outside the Transco LNG Injection Period; and

(iv) the Top-up Manager may surrender the Storage Capacity in accordance with paragraphs 2.9, 4.1 and 4.4.".

Renumber paragraph 1.2.3 as paragraph 1.2.2 and amend as follows:

"…applies for Storage Capacity in a Transco LNG Storage Facility … rates under Section Z3.1.3 (f).".

Add new paragraph 1.2.3 as follows:

"1.2.3 When entering into Storage Terms in respect of a Storage Facility other than a Transco LNG Storage Facility the Top-up Manager shall endeavour to ensure that such Storage Terms contain terms which give the Top-up Manager rights of an equivalent nature to those referred to in paragraph 1.2.1, and the Top-up Manager shall not be under any obligation to enter into Storage Terms which so provide and the Top-up Manager shall not be liable to Users in any respect should any other Storage Terms to which it is a party not so provide.".

Amend paragraph 1.3.1(i) as follows:

"(i) in accordance with Section B may apply for and hold System Entry Capacity at System Entry Points and NTS Exit Capacity at Storage Connection Points;".

Amend paragraph 1.3.1(v) as follows:

"…under Section F; and".

Delete paragraph 1.3.2 and renumber paragraph 1.3.3 as 1.3.2.

Amend paragraph 1.4.2 as follows:

"…Storage Facility referred to in paragraph 1.4.3 or …".

Add new paragraph 1.4.3 as follows:

"1.4.3 For the purposes of this Section P a Storage Facility is a:

(i) "**Short Duration**" facility, where the Maximum Storage Duration is less than 10 Days;

(ii) "**Medium Duration**" facility, where the Maximum Storage Duration is 10 or more Days but less than 30 Days; or

(iii) "**Long Duration**" facility, where the Maximum Storage Duration is equal to or greater than 30 Days

and a Storage Facility Type is "**shorter**" than any other Storage Facility Type where facilities of such type have a shorter Maximum Storage Duration.".

Amend paragraphs 1.5.1, 1.5.2 and 1.5.3 as follows:

"1.5.1 The Top-up Manager shall have access to such details of the use of a Storage Facility by all Storage Users as may be provided for under the relevant Storage Connection Agreement.

1.5.2 In particular, each Storage Operator will provide to the Top-up Manager:

(i) where the Top-up Manager so requests, the details of the amounts of aggregate Storage Capacity allocated to Storage Users for each Storage Facility for the Storage Year or remaining part of the Storage Year pursuant to applications for Storage Capacity under the relevant Storage Terms;

(ii) on a daily basis throughout the Storage Year, details for each Storage Facility of Storage Users' aggregate Storage Capacity, injections, withdrawals and gas-in-storage; and

(iii) where the Top-up Manager so requests, details of the Applicable Total Storage Space, the Applicable Total Storage Deliverability and Maximum Injection Rate of each Storage Facility.

1.5.3 Each Storage Operator shall ensure that its Storage Terms permit the disclosure by the Storage Operator to the Top-up Manager of the information referred to in paragraph 1.5.2(i) and (ii).".

Amend paragraph 2.1.2(iii) as follows:

"The "**Constrained Storage Requirement**" in respect of a Constrained Storage Facility … arising in the constrained LDZ(s) on…".

Amend the introduction in paragraph 2.2.1 as follows:

"The Top-up Manager will determine, by not later than 15th April in the preceding Storage Year, on the basis of Storage Capacity allocated by each Storage Operator to Transco for Operating Margins Purposes and to Storage Users pursuant to the Relevant Storage Terms prior to such date:

…".

Amend paragraph 2.2.1(i), (ii) and (iii) by deleting references to "Constrained LNG Facility" and substituting the words "Constrained Storage Facility".

Amend paragraph 2.2.1(ii) as follows:

"…Facility associated with the top-up constrained space requirement…".

Amend paragraph 2.2.1(v) as follows:

"…in each Storage Facility associated with the 1-in-20…".

Amend paragraph 2.2.1(viii) as follows:

"…in each Storage Facility associated with the 1-in-50 top-up space requirement (after taking account of…but subject to paragraph 2.3.3;".

Amend paragraphs 2.2.2, 2.2.3 and 2.2.4 as follows:

"2.2.2 For the purposes of paragraph 2.2.1:

(i) "**Allocated Storage Space**" is the aggregate amount at 15th April in the Preceding Storage Year of Storage Space allocated by all Storage Operators to Storage Users in respect of the Storage Year pursuant to applications, in accordance with the relevant Storage Terms other than to Transco for Operating Margins Purposes:

(ii) "**Allocated Storage Deliverability**" is the sum of:

(a) the aggregate amount of Storage Deliverability allocated to Storage Users in respect of Short Duration and Medium Duration Storage

Facility Types for the Storage Year pursuant to applications under the relevant Storage Terms, other than to Transco for Operating Margins Purposes; and

(b) in respect of each Storage Facility which is a Long Duration Storage Facility, the aggregate of the Applicable Total Storage Deliverability for each such facility.

2.2.3 Where the Top-up Manager revises the supply security levels during the Storage Year in accordance with paragraph 2.6.1 (following a new Storage Facility becoming operational) the Top-up Manager may redetermine any of the requirements and/or amounts in paragraph 2.2.1 for which purposes the Allocated Storage Space and the Allocated Storage Deliverability shall be construed by reference to the Storage Space and Storage Deliverability allocated by Storage Operators to Storage Users for the remaining part of the Storage Year falling after the date from which the Top-up Manager makes any such redetermination.".

Renumber paragraph 2.2.5 as 2.2.4 and amend as follows:

"Following its determinations under paragraph 2.2.1 or 2.2.3, and…Winter Period by allocating or reallocating the Aggregate…Storage Space, the Top-up Space Requirement and Top-up Deliverability Requirement and…".

Amend paragraph 2.3.1 as follows:

"… the Top-up Manager will as soon as practicable following the start of the Storage Year (but not before) apply for …".

Amend paragraph 2.3.2(i) as follows:

"…for all Storage Facilities; or" .

Amend paragraph 2.3.2 as follows:

"…or **"Uncommitted Storage Deliverability"**.".

Amend paragraph 2.3.3 as follows:

"… Top-up Manager may apply for interruptible Storage Space.".

Amend paragraph 2.3.4 as follows:

"2.3.4 Where following the Transco LNG Invitation Close Date and after the date when the Top-up Manager applies for Storage Capacity in a Transco LNG Storage Facility, any Storage User applies for and is registered as holding Storage Capacity in a Transco LNG Storage Facility, paragraph 4.4. will apply.".

Amend paragraph 2.4.1(i) as follows:

"… in respect of Relevant Residual Gas by Transco for Operating Margins Purposes in accordance with Section K3.2; and ".

Amend paragraph 2.4.2 as follows:

"….but only to the extent that the objective…".

Amend paragraph 2.5.1 as follows:

"… provisions of Sections K3.2 and -K3.3 apply …".

Amend paragraph 2.5.2(iii) as follows:

"… pursuant to Section K3.2.".

Amend paragraph 2.5.2(iv) as follows:

"… in Section K3.2.".

Amend paragraph 2.5.3 as follows:

"… will be made to Users pursuant to paragraph 6.".

Amend paragraph 2.6.1 as follows:

"…

(iii) …revised supply security levels

and where during the Storage Year a Storage Facility which was not operational in the Preceding Storage Year becomes operational the Top-up Manager will estimate, and where they differ from the supply security levels previously notified promptly notify Users of, revised supply security levels.".

Amend paragraph 2.6.2 as follows:

"… referred to in Section W2.6.6 and …".

Amend paragraph 2.7.1 as follows:

"… in accordance with the relevant Storage Terms, requirements of flexibility …".

Amend paragraph 2.7.2(v) as follows:

"… it would otherwise make under Section K3.2 or K3.3 in the following …".

Amend paragraph 2.7.3 as follows:

"… in accordance with Section K3.5.4 the Top-up Gas …".

Amend paragraph 2.7.4 as follows:

"Subject to Section K3.5.4, the Top-up Manager … not made on such basis the Top-up Manager will inform Users …".

Delete paragraph 2.8 and renumber paragraphs 2.9 and 2.10 as paragraph 2.8 and 2.9 and amend paragraph 2.8 as follows:

"2.8 Revised Supply & Demand Estimates

2.8.1 Where this paragraph applies (in accordance with paragraph 2.8.4):

(i) the Top-Up Manager will redetermine the Stored Gas Requirement and Stored Deliverability Requirement on the basis of the revised estimates of System 1-in-20 peak day demand, System 1-in-50 Severe Annual Demand and maximum daily supply (in accordance with Section O2.2), taking account of such revision or redesignation as is referred to in paragraph 2.8.4 and any redesignation of Firm Supply Points as Interruptible during the same period;

(ii) the Top-up Manager will:

(a) to the extent that there is Uncommitted Storage Capacity and (in the opinion of the Top-up Manager) it will be feasible during the remainder of the Applicable Injection Period to procure and inject quantities of gas to fill such additional Storage Space, revise the Top-up Space Requirement and the Top-up Deliverability Requirement in accordance with the redetermined amounts under paragraph (i);

(b) to the extent that it does not revise the Top-up Space Requirement and the Top-up Deliverability Requirement under paragraph (i), estimate and notify to Users revised supply security levels (in accordance with paragraph 2.6.2).

(iii) in the event that the Stored Deliverability Requirement is reduced as a result of any redetermination under paragraph (i), the Top-Up Manager will, subject to and in accordance with the relevant Storage Terms, surrender Storage Deliverability (but without being obliged to surrender Storage Space) in an amount not exceeding such reduction in the Stored Deliverability Requirement;

(iv) in the event that the Stored Gas Requirement is reduced as a result of any redetermination under paragraph (i), the Top-Up Manager will, subject to and in accordance with the relevant Storage Terms, dispose of the surplus gas-in-storage following such redetermination ("**Further Residual Surplus Gas**") in accordance with paragraph 2.9.

2.8.2 With effect from any revision by the Top-up Manager of the Top-up Space Requirement and the Top-up Deliverability Requirement in accordance with paragraph 2.8.1(ii)(b), references in this Section P to such requirements shall be to such revisions thereof.

2.8.3 Where with effect after 1st October in the Storage Year, Interruptible Supply Points are redesignated as Firm (pursuant to any provision of Section G6):

(i) the Top-up Manager will not revise any of its estimates under this Section P;

(ii) after the time at which the aggregate Supply Point Capacity held by Users in aggregate at Supply Point Components of the Supply Points which have been so redesignated (or are subject to a notification of such redesignation with effect from a date before 1st April in the Storage Year) is not less than 1,000,000 kWh/Day, the Top-up Manager will so notify Transco;

(iii) where the Top-up Manager notifies Transco under paragraph (ii), subject to paragraph (iv), no further redesignation pursuant to Section G6.3 of any Interruptible Supply Point as Firm will be permitted with effect from any date before 1st April of that Storage Year (but without prejudice to any redesignation pursuant to Section G6.9);

(iv) the Top-up Manager may in its discretion permit further such redesignation if in its opinion at the time the Remaining Gas-in-Storage (in accordance with paragraph 3.4.2) at the time exceeds the Remaining Stored Gas Requirement by an appropriate margin.

2.8.4 Paragraph 2.8.1 applies where:

(i) on any date prior to the 1st December in the Storage Year Transco has revised its estimates of System 1-in-20 peak day demand, System 1-in-50 Severe Annual Demand or maximum daily supply (in accordance with section O2.2); or

(ii) Interruptible Supply Points are redesignated as Firm (pursuant to any provision of Section G6) with effect from any date from the 1st April in the preceding Storage Year up to and including 1st October in the Storage Year.

2.8.5 The Top-up Manager may:

(i) determine at the end of any month from November to April in any Storage Year, the difference between the Aggregate Stored Gas and the Remaining Stored Gas Requirement for that Storage Year;

(ii) in the event that the Aggregate Stored Gas exceeds the Remaining Stored Gas Requirement following any redetermination under sub-paragraph (i), dispose of any or all of the Top-Up Manager's surplus gas-in-storage following such redetermination ("**Winter Period Residual Surplus Gas**") in accordance with paragraph 2.9.".

Amend the renumbered paragraph 2.9.1 as follows:

"…the re-determination under paragraph 2.8.1(i) or may, following re-determination under paragraph 2.8.5 seek to make … the further provision of this paragraph 2.9.".

Amend the new paragraph 2.9.2 as follows:

"… the provisions of Sections K3.3.2(a) to (h) (inclusive), K3.3.5 and K3.3.6 apply in respect of …".

Amend paragraph 3.1 as follows:

"… (in accordance with the relevant Storage Terms) in respect of Storage Space allocated to it (after taking account of …".

Amend paragraph 3.1(ii) as follows:

"the injection rules under the relevant Storage Terms; ".

Amend paragraph 3.2.1 as follows:

"…review the details provided by each Storage Operator…".

Amend paragraph 3.2.1(ii) as follows:

"…(the "**Imminent Top-up Injection Requirement**" and/or as the case may be) …".

Amend paragraphs 3.2.2, 3.2.3 and 3.2.4 as follows:

"3.2.2 For the purposes of paragraph 3.2.1, in respect of each Storage Facility:

(i) a relevant Day is one Day each week from 1st May until the last Day of the Applicable Injection Period or 1st December, whichever is the earlier, or for so long as the Top-up Manager has determined that there is an Imminent Top-up Injection Requirement, every Day;

(ii) the "**Aggregate Stored Gas**" on a Day is the aggregate gas-in-storage of all Storage Users and the Top-up Manager (after taking account of all injections and withdrawals) other than gas-in-storage held by Transco for Operating Margins Purposes;

(iii) the "**Relevant Remaining Injectable Quantity**" is determined by the following formula:

FIR * (PID - X)

where:

FIR is the Applicable Facility Injection Rate;

PID is the number of Programmed Injection Days remaining (starting with the Day after the review day and ending on the last Day of the Applicable Injection Period or 1st December, whichever is the earlier); and

X is,

(a) 7, for the purposes of an Imminent Top-up Injection Requirement;

(b) 2, for the purposes of an Actual Top-up Injection Requirement.

3.2.3 Where under paragraph 3.2.1 there is on a review day an Imminent Top-up Injection Requirement (but not an Actual Top-up Injection Requirement), the Top-up Manager will:

(i) notify by telephone or facsimile the Storage Operator of the relevant Storage Facility in respect of which the condition in paragraph 3.2.4 applies to a relevant Storage User (with a view to the Storage Operator advising the relevant Storage User of the Imminent Top-up Injection Requirement and seeking if they so wish that they bring forward their injections into the relevant Storage Facility); and

(ii) insofar as it is reasonably practicable to do so consistent with the relevant Storage Terms, its Top-up Gas Procurement Arrangements and its Applicable User Injection Rate (and at such additional cost if any as the Top-up Manager

may determine appropriate), bring forward its own injections into each Top-up Storage Facility to the extent it has unfilled Storage Space.

3.2.4 The condition referred to in paragraph 3.2.3(i) is that if Storage Users were in aggregate to make no injections for 7 Days the Storage Users would need to inject at a rate in excess of their respective Applicable User Injection Rates in order to fill their respective Allocated Storage Space.".

Amend paragraphs 3.3.1 and 3.3.2 by deleting references to "Injection Period" and substituting the words "Applicable Injection Period".

Amend paragraph 3.4 as follows:

"3.4 Winter Injection

3.4.1 Subject to paragraph 3.4.6, the Top-up Manager will immediately after the Output Nomination Time determine in respect of each Day in the Winter Period:

(i) in respect of each Storage Facility Type whether, and if so the amount (the "**Winter Top-up Injection Requirement**") by which, the Remaining Stored Gas Requirement exceeds the Remaining Gas-in-Storage;

(ii) whether, and if so the amount (the "**Aggregate Winter Top-up Injection Requirement**") by which, the Aggregate Remaining Stored Gas Requirement exceeds the aggregate Remaining Gas-in-Storage in respect of all Storage Facility Types.

3.4.2 For the purposes of paragraph 3.4.1 subject to paragraph 3.4.6, in respect of a Day in the Winter Period "**Remaining Gas-in-Storage**" in respect of a Storage Facility Type is the aggregate amount of gas-in-storage in facilities of that type which will be held by Storage Users and the Top-up Manager other than gas-in-storage held by Transco for Operating Margins Purposes after taking account of Nomination Quantities under initial Input Nominations made by Storage Users for the Day.

3.4.3 Subject to paragraph 3.7, where on any Day the Top-Up Manager determines that there is a Winter Top-up Injection Requirement in respect of a Storage Facility Type, the Top-up Manager will, but only to the extent to which Storage Users are withdrawing gas from a Storage Facility of the relevant type on that Day, inject gas into such Storage Facility pursuant to Nominations (and corresponding Storage Injection Nominations) in accordance with paragraph 3.4.4.

3.4.4 The Nomination Quantity(ies) under Output Nominations (and corresponding the Storage Injection Nomination(s)) made by the Top-up Manager under paragraph 3.4.3 will be for amount(s) not in aggregate exceeding the amount of the Winter Top-up Injection Requirement.

3.4.5 Where, in respect of a Day in the Winter Period, Input Nominations made in respect of Storage Connection Points by Storage Users are revised (by way of increase or decrease) by Renominations, the Top-up Manager will endeavour to revise its determination pursuant to paragraph 3.4.1 and accordingly to revise its Output Nominations (and corresponding Storage Injection Nominations) pursuant to paragraph 3.4.3.

3.4.6 For the purposes of paragraph 3.4.1, in determining both the Winter Top-up Injection Requirement and the Aggregate Winter Top-up Injection Requirement:

(i) without prejudice to paragraph (iii), the Remaining Stored Gas Requirement in respect of a Storage Facility Type will be reduced by an amount (if any) equal to the aggregate amount by which the Remaining Gas-in-Storage exceeds the Remaining Stored Gas Requirement in relation to any shorter Storage Facility Type;

(ii) the Remaining Gas-in-Storage will be increased by an amount (if any) equal to the amount by which the aggregate gas-in-storage in respect of:

(a) the relevant Storage Facility Type;

(b) any shorter Storage Facility Type

held by Transco for Operating Margins Purposes exceeds the requirements that Transco has for gas-in-storage at the Storage Facility Type for Operating Margins Purposes (pursuant to Section K) (provided that for the purposes of this paragraph 3.4.6 where under this paragraph (ii) an amount of gas is taken into consideration in respect of a Storage Facility, it may not be taken into consideration for the purposes of this paragraph 3.4.6 in respect of any other Storage Facility);

(iii) for the purpose of paragraph (i), the Remaining Stored Gas Requirement in respect of a Storage Facility Type will not be reduced under paragraph (ii) to the extent that such requirement relates to a Constrained Storage Facility.".

Amend paragraph 3.5.1 as follows:

"To the extent permitted by the relevant Storage Terms the Top-up Manager shall …".

Amend paragraph 3.5.2 as follows:

"Where, in accordance with the relevant Storage Terms, the Top-up Manager … (in accordance with paragraph 3.5.4 (iii) where applicable) …

…

(ii)…Injection Nomination(s)

in each case to the extent permitted by the relevant Storage Terms.".

Amend paragraph 3.5.3, 3.5.4, 3.5.5, 3.5.6 and 3.5.7 as follows:

"3.5.3 Where the Top-up Manager makes a Storage Injection Nomination in accordance with paragraph 3.5.2(ii), upon the making of such nomination:

(i) the relevant Storage Operator shall promptly inform relevant Storage Users that the Top-up Manager has made a Storage Injection Nomination;

(ii) relevant Storage Users in the relevant proportions (in accordance with paragraph 3.5.4(i)) shall be (to the extent provided for in the relevant Storage Terms) deemed to have made Storage Space Transfers to the Top-up Manager (which transfers shall be treated as effective on the Gas Flow Day), in respect of amounts of Storage Space in aggregate equal to the amount by which the Nomination Quantity under the Storage Injection Nomination made by the Top-up Manager in accordance with paragraph 3.5.2 exceeds its unfilled Storage Space (in accordance with paragraph 3.5.4(iii) and after taking account of paragraph 3.5.2(i)) in the relevant Storage Facility;

(iii) paragraph (ii) shall take effect without any requirement as to payment on the part of the Top-up Manager and without prejudice to any Storage User's obligations to pay Storage Capacity Charges.

3.5.4 For the purposes of this paragraph 3.5:

(i) in the case of a Storage Injection Nomination made under paragraph 3.2.5:

(a) a relevant Storage User is a Storage User who holds on the Gas Flow Day unfilled Storage Space which, if he were to make no injections for 2 Days, could not be filled by injecting at the Applicable User Injection Rate on all Applicable Programmed Injection Days remaining in the Applicable Injection Period; and

(b) the relevant proportions are the proportions in which relevant Storage Users hold such unfilled Storage Space as is referred to in paragraph (i)(a);

(ii) in the case of a Storage Injection Nomination made under paragraph 3.4:

(a) a relevant Storage User is a Storage User who holds on the Gas Flow Day unfilled Storage Space in the relevant Storage Facility; and

(b) the relevant proportions are the proportions in which relevant Storage Users hold such unfilled Storage Space;

(iii) in the case of a Storage Injection Nomination under paragraph 3.2, the Top-up Manager's unfilled Storage Space is to be determined after deducting space for quantities remaining to be injected by the Top-up Manager into the relevant Storage Facility.

3.5.5 Where relevant Storage Users are deemed to have transferred Storage Space to the Top-up Manager under paragraph 3.5.3, Transco will so inform relevant Storage Operators as soon as reasonably practicable after making Storage Injection Nomination under paragraphs 3.2 or 3.4; and:

(i) each relevant Storage User shall, at any time thereafter within the Storage Year, be entitled (upon request in accordance with paragraph 4) to Top-up Storage Transfer(s):

(a) comprising the surrender by the Top-up Manager of amount(s) of Storage Space in the relevant facility not in aggregate exceeding the amount transferred by the relevant Storage User under paragraph 3.5.3, and (subject to paragraph 3.5.6) Storage Gas Transfer(s) for a quantity of gas-in-storage of the same amount(s); and

(b) in respect of which paragraph 4.3.3 shall not apply (so that the Storage User shall make payment in respect of the Transferred Gas-in-Storage but not the surrendered Storage Space);

(ii) where the Top-up Manager's Storage Injection Nomination was made under paragraph 3.2, the Top-up Manager will notify all Storage Operators and Users that, until the end of the Storage Year or until pursuant to paragraph (ii) the Top-up Manager has been left with unfilled Storage Space equal to the amount deemed transferred to it by relevant Storage Users, the requirements of paragraph 4.2.4(i) and 4.2.3 are for the time being suspended, so that:

(a) a Storage User may (within such period) request a Top-up Storage Transfer comprising a Storage Gas Transfer without a corresponding surrender of Storage Space, and

(b) should such a Storage Gas Transfer be made, the Top-up Manager will be left with unfilled Storage Space in the relevant Storage Facility;

provided that the Top-up Manager shall not be required to approve a request under paragraph (i) or (ii) other than in accordance with paragraph 4.1 (except that paragraph 4.1.4(iv) shall not apply in respect of a surrender of Storage Space only under paragraph (i)).

3.5.6 Where at the time of a relevant Storage User's request under paragraph 3.5.5(i) the Top-up Manager holds unfilled Storage Space in the relevant Storage Facility, a Top-up Storage Transfer under paragraph 3.5.5(i)(a) may (if such Storage User so requests) comprise a surrender of Storage Space exceeding, by an amount not exceeding such unfilled Storage Space, the amount of gas-in-storage subject to the Storage Gas Transfer required under that paragraph.

3.5.7 The amount of Storage Space transferred to the Top-up Manager under paragraph 3.5.3 is excluded from the amount of Storage Space at any time eligible for a Top-up Storage Transfer to any Storage User other than in accordance with paragraph 3.5.5(i).".

Amend paragraph 3.6.1 as follows:

"Where the Top-up Manager …".

Amend paragraph 3.6.1(i) as follows:

"… (in accordance with Section R4.7.4, where relevant) for Constrained Storage purposes …".

Amend paragraph 3.6.1(iii) as follows:

"…to be delivered under paragraph 2.7) is delivered…".

Amend paragraph 3.7 as follows:

"3.7 Constrained Storage Facilities

Nothing in this paragraph 3 shall require the Top-up Manager to make any Storage Injection Nomination in respect of a Constrained Storage Facility on a Day for which Transco has made Constrained Storage Renominations.".

Amend paragraph 3.8.1 as follows:

"… Gas Transfer (as defined in Section K3.2.7), a Storage Facility …

(i) … Manager or another Storage User holds …".

Amend paragraph 3.8.2 as follows:

"… Carry-across Gas pursuant to Section K3.2.5, except that the reference in paragraph 6.5.4(i)(b) to the last Day …".

Amend title to paragraph 4 to read "Top-up Storage in Transco LNG Storage Facilities".

Amend text at paragraph 4.1.1 as follows:

"4.1.1 Subject as provided in this paragraph 4, any Storage User or User may request the Top-up Manager to surrender Storage Space and/or Storage Deliverability, and/or to make a Storage Gas Transfer, (in each case only in relation of a Transco LNG Storage Facility) in favour of such Storage User, on terms (as to payment and otherwise) in accordance with this paragraph 4.".

Amend paragraphs 4.1.2 to 4.1.8 (inclusive) by deleting any reference to "User" and "User's" and substituting the words "Storage User" and "Storage User's" respectively.

Add new paragraphs 4.1.10 and 4.1.11 as follows:

"4.1.10 Where the Top-up Manager is a Storage User in relation to a Storage Facility other than a Transco LNG Storage Facility, where another Storage User at such facility requests the Top-up Manager to surrender Storage Space and/or Storage Deliverability and/or to make a transfer of gas (in a manner akin to a Storage Gas Transfer in accordance with Section Z) in favour of such Storage User, the Top-up Manager shall, but only to the extent permitted by the relevant Storage Terms, seek to give effect to such request as if it where a request made in respect of a Transco LNG Storage Facility under this paragraph 4.

4.1.11 Nothing in paragraph 4.1.10 shall be construed as requiring the Top-up Manager to seek any change to relevant Storage Terms such as to facilitate the taking of any of the actions referred to in paragraph 4.1.10.".

Amend paragraph 4.2 by deleting all references (and cross references) to Section "R" and substituting Section "Z" and by deleting all references to "Top-up Transferee User" and substituting the words "Top-up Transferee Storage User" respectively.

Amend paragraph 4.2.3 as follows:

"… pursuant to paragraphs 3.5.3 and 3.5.5(i), a Top-up …".

Amend paragraph 4.2.4 (i) as follows:

"Subject to paragraphs 3.5.5(ii), 4.3.3(i) …".

Amend text at paragraphs 4.3 and 4.4 as follows:

"4.3 Transfer charges

4.3.1 Where a Top-up Storage Transfer includes a Storage Gas Transfer, the Top-up Transferee Storage User undertakes (by accepting the Top-up Manager's offer under paragraph 4.1.6), to pay to the Top-up Manager in addition to any amount under paragraph 4.2.5, an amount equal to the quantity of Transferred Gas-in-Storage multiplied by the greater of the amount of the Transferred Gas-in-Storage:

(i) 105% of the Top-up WACOG; or

(ii) the sum of the price in pence/kWh which is equal to the highest Market Offer Price for a Market Transaction effected for the Day on which the Storage Operator makes the request for a Top-up Storage Transfer and the amount payable in pence/kWh to the Storage Operator in respect of the injection of a kWh into the relevant Top-up Storage Facility.

4.3.2 Such amount shall be payable as a single payment and shall be invoiced and paid in accordance with Section S.

4.3.3 Where a Top-up Storage Transfer includes a surrender of Storage Space or Storage Deliverability:

(i) the Top-up Transferee Storage User shall become liable for Storage Charges in respect thereof with effect from such Top-up Storage Transfer;

(ii) the Top-up Transferee Storage User shall in addition be liable for and pay to the Storage Operator the amount(s) payable in respect of the surrendered Storage Capacity by way of Storage Capacity Charges under Section Z2.6, on the basis that the User was registered as holding the transferred capacity pursuant to an application under Section Z3.7 made on the Day of the Top-up Storage Transfer under paragraph 4.2.1(i);

(iii) the amount(s) payable by the Top-up Transferee Storage User under paragraph (ii) shall be paid by the Storage Operator to the Top-up Manager.

4.4 **Surrender on late booking at Transco LNG Facilities**

4.4.1 Where at any time:

(i) a Storage User is registered under Section Z3 as holding Storage Capacity pursuant to an application made after the Applicable Invitation Close Date, and

(ii) the Top-up Manager then or (pursuant to paragraph 4.4) later has unfilled Storage Space in an amount exceeding the aggregate quantity of gas of which it is committed to take delivery under its Top-up Gas Procurement Arrangements

the Top-up Manager will by so notifying the Storage Operator surrender and thereby cease to be registered as holding Storage Space in the amount under paragraph 4.4.2 and associated Storage Deliverability (on the basis of the Top-up Manager's Storage Duration in the relevant Storage Facility but not exceeding the Storage Deliverability which such Storage User was so registered as holding).

4.4.2 The amount of Storage Space surrendered under paragraph 4.4.1 will be the lesser of:

(i) the Storage Space which the Storage User was registered as holding under Section Z3.7, and

(ii) the excess amount of Storage Space referred to in paragraph 4.4.1(ii).

4.4.3 Upon a surrender of Storage Capacity under paragraph 4.4.1 in relation to a Transco LNG Storage Facility the Storage Operator will pay to the Top-up Manager an amount determined as the amount which would be payable by a Storage User by way of Storage Capacity Charges under Section Z2.6 if the User applied for and was registered as holding that amount of Storage Capacity on the date of such surrender.

4.4.4 In the circumstances in paragraph 4.4.1(i), the Top-up Manager will (until such time, if any, as it has surrendered Storage Space in aggregate equal to the amount under paragraph 4.4.1(i)):

(i) suspend the requirements of paragraph 4.2.4(i) and 4.2.3 in relation to the relevant Storage Facility, so that a Storage User may request a Top-up Storage Transfer comprising a Storage Gas Transfer without a corresponding surrender of Storage Space, provided that the Top-up Manager shall not be required to approve such a request other than in accordance with paragraph 4.1; and

(ii) where as a result of such a Storage Gas Transfer, the Top-up Manager is left with additional unfilled Storage Space in the relevant Storage Facility, surrender or further surrender Storage Capacity in accordance with paragraph 4.4.1.

4.4.5 The Top-Up Manager may but will not be required to surrender associated Storage Deliverability pursuant to paragraph 4.4.1. at a Relevant Storage Facility during the conduct of a tender pursuant to paragraph 2.10 and thereafter the Top-Up Manager may but will not be required to surrender Storage Deliverability required for making Residual Gas Transfers following such tender.

4.4.6 When entering into Storage Terms in respect a Storage Facility other than a Transco LNG Storage Facility, the Top-up Manager shall endeavour to ensure that such Storage Terms contain terms which give the Top-up Manager rights of an equivalent nature to those referred to in this paragraph 4.4, and the Top-up Manager shall not be under any obligation to only enter into Storage Terms which so provide and the Top-up Manager shall not be liable to Users in any respect should any other Storage Terms to which it is a party not so provide.”.

Amend paragraph 5.1 as follows:

"… in accordance with this paragraph 5 and in accordance with the relevant Storage Terms.".

Amend paragraph 5.2.1 as follows:

"… Top-up Manager will make a Top-up Market Offer …".

Renumber paragraph 5.2.4 so that the sub-sections are (i), (ii)(a) and (b) and (iii) (rather than (a), (b)(i) and (ii) and (c)).

Amend new paragraph 5.2.4(ii)(a) as follows:

"…tender pursuant to paragraph 2.9) in the…".

Amend paragraph 5.3 as follows:

"… In respect of the relevant Top-up Facility in accordance with the following formula or 99.9999pence/kWh ,whichever is the lesser: …".

Renumber paragraph 6.1.2(1) and (2) as 6.1.2(a) and (b) respectively.

Amend paragraph 6.1.3 as follows:

"… amounts referred to in paragraph 6.1.2(iii)(a) are "**Relevant Top-up Bid Revenues**"….".

Renumber paragraph 6.2.2(a)(i) and (ii) as 6.2.2 (i)(a) and (b) respectively.

Renumber paragraph 6.2.2(b)(i) and (ii) as 6.2.2 (ii)(a) and (b) respectively.

Amend paragraph 6.2.4 as follows:

"For the purposes of paragraph 6.2.2(i)(a), the amounts referred to in paragraph 6.1.1(ii)(a) and (b) shall be treated …".

Renumber paragraphs 6.3.4(a),(b),(c)(i) and (ii), and (d) as 6.3.4(i),(ii),(iii)(a) and (b), and (iv) respectively.

Renumber paragraphs 6.3.5(a), (b)(i) and (ii), and (c) as 6.3.5(i),(ii)(a) and (b), and (iii) respectively.

Renumber paragraphs 6.3.7(a)(i),(ii),(iii) and (iv), (b)(i),(ii),(iii) and (iv) and (c) as 6.3.7(i)(a),(b),(c) and (d), (ii)(a),(b),(c) and (d) and (iii) respectively.

Renumber paragraph 6.4.2(a) and (b) as 6.4.2(i) and (ii) respectively and amend sub-paragraph (i) as follows:

"…for Operating Margins Purposes; "

Renumber paragraph 6.5.4(a)(i) and (ii), (b),(c),(d),(e) and (f) as 6.5.4(i)(a) and (b), (ii),(iii),(iv),(v) and (vi) respectively and amend new paragraph 6.5.4(i)(a) as follows:

"…Top-up Manager to Transco (for Operating Margins Purposes)…pursuant to Section K3.2;…".

Amend new paragraph 6.5.4(iii) as follows:

"…made on any relevant Day to the Top-up Manager…".

Amend paragraph 6.5.6 as follows:

"…(to the extent that any reduction…; ".

Renumber paragraphs 6.6.1(a) and (b)(i),(ii) and (iii) as 6.6.1(i) and (ii)(a),(b) and (c) respectively.

Amend new paragraph 6.6.1(ii)(a) as follows:

"…paid by Transco for Operating Margins Purposes)….pursuant to Section K3.2; ".

Amend new paragraph 6.6.1(ii)(c) as follows:

"…Top-up Manager pursuant to a tender under Section K3.3 in respect of…pursuant to any adjustment under Section K3.3.2(f)(ii) to bid prices…".

SECTION R: STORAGE

Add new Section R1.2.1(d) as follows:

"**stored gas**" is gas which has been injected into a Storage Facility from the System by Storage Users and which Storage Users are entitled to withdraw from the facility in accordance with the relevant Storage Terms (and accordingly does not include either native gas or gas which has been injected into the Storage Facility from the System by the relevant Storage Operator for purposes related to, or otherwise connected with, the operation of the facility)."

Add new Section R1.5.1(c) as follows:

"**Applicable Injection Period**" is in respect of:

(i) a Transco LNG Storage Facility, the Transco LNG Injection Period;

(ii) any other Storage Facility, the period during which Storage Users may inject gas into the facility identified in the relevant Storage Terms.".

Add new Section R1.5.1(d), (e) and (f) as follows:

"(d) "**Applicable Total Storage Space**" is in respect of:

(i) a Transco LNG Facility, the Total Storage Space;

(ii) any other Storage Facility, the maximum quantity of gas that the Storage Operator determines can be withdrawn from the facility when full of stored gas;

(e) "**Applicable Total Storage Deliverability**" is in respect of:

(i) a Transco LNG Facility, the Total Storage Deliverability;

(ii) the maximum quantity of gas that the Storage Operator determines can be withdrawn from the facility in a period of 24 hours during the calendar months of January and February in any Storage Year;

(f) "**Maximum Injection Rate**" is the maximum quantity of gas that the Storage Operator determines can be injected into the facility in a period of 24 hours during the Applicable Injection Period.".

Add a new Section R1.5.2(h) as follows:

"Total Storage Duration" in respect of a Storage Facility is the number of Days obtained by dividing the Applicable Total Storage Space by Applicable Total Storage Deliverability.".

Add new Section R1.5.1(g) as follows:

"**Applicable Invitation Close Date**" is in respect of:

(i) a Transco LNG Storage Facility, the Transco LNG Invitation Close Date;

(ii) any other Storage Facility, the date identified in the relevant Storage Terms by which Storage Users must make applications for Storage Capacity for a Storage Year.".

Add new Section R1.5.1(h) as follows:

"**Applicable Programmed Injection Days**" are in respect of:

(i) a Transco LNG Storage Facility, Programmed LNG Injection Days;

(ii) any other Storage Facility, the days in the Applicable Injection Period (or in the context of a particular programme for injection, in the period to which the programme applies) other than Days on which is planned or known that the relevant injection facilities will not be in operation for any reason.".

Add new Section R1.5.1(i) as follows:

"**Applicable User Injection Rate**" in respect of:

(i) a Transco LNG Storage Facility, is the User LNG Injection Rate;

(ii) any other Storage Facility, is in respect of a Storage User a rate of injection in kWh/Day determined as the Storage User's available space in the Storage Facility determined in accordance with the relevant Storage Terms divided by the Applicable Injection Period.".

Add new Section R1.5.1(j) as follows:

"**Applicable Storage Nomination Time** " in respect of:

(i) a Transco LNG Storage Facility, is the LNG Storage Nomination Time;

(ii) any other Storage Facility, is the time identified in the relevant Storage Terms after which time the Storage Operator is not required to act on nominations made by the Storage User.".

Add new Section R1.5.1(k) as follows:

"**Applicable Facility Injection Rate**" is in respect of:

(i) a Transco LNG Storage Facility, the Facility Injection Rate;

(ii) any other Storage Facility, the injection rate at which gas may be injected into the facility, as identified in the relevant Storage Terms.".

SECTION Z: TRANSCO LNG STORAGE FACILITIES

Amend Section Z1.4.4(d) by deleting "Storage Nomination Time" and substituting the words "LNG Storage Nomination Time".

Amend Section Z5.1.3(c) by deleting "Programmed Injection Days" and substituting the words "Programmed LNG Injection Days".

Amend Section Z5.1.3(d) by deleting "User Injection Rate" and substituting the words "User LNG Injection Rate".

Amend Section Z5.2.1 by deleting "Injection Period" and substituting the words "Transco LNG Injection Period".

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 **0429**, version **4.0** dated **02/04/2001**) 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 **4.0**.

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 appropriate

   provided 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.