Draft Modification Report
LNG Overrun Regime for Constrained Storage Renominations
Modification Reference Number 0495

Version 3.0

This Draft 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

The Modification Proposal was as follows

"It is proposed that, while Transco is constraining on, Transco would pay any LNG deliverability overrun charges to Transco LNG. At other times, LNG customers would pay.

At present LNG customers are not allowed to reduce their prevailing nominations while a facility is constrained on. It is proposed that this should be allowed."

The justification was as follows

"The intention of Modification Proposal 0376 was that, where LNG overruns arise from Transco constraining on, Transco and not LNG customers should pay the overrun charges. However the legal text specified a zero charge to Users, but did not require Transco to pay the charges.

Transco LNG is introducing a new customer access system, and this proposal is required to take advantage of its greater flexibility in revising Constrained Storage Renominations. "

2. Transco's Opinion

Transco supports this Modification Proposal as it ensures that the party causing LNG deliverability overruns pays the charges. This Proposal has been discussed and supported in the Planning & Security (Storage) workstream. Transco is therefore proposing implementation of this Modification Proposal to re-capture the original intention of Modification 0376 "Overrun Charges on Transco Nominations from Constrained LNG Sites" and to remove the rule on LNG customers not being able to reduce their prevailing withdrawal nomination following a Transco constrained re-nomination.

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

By identifying costs between Transco as Gas Transporter and Transco LNG Storage, when a constrained LNG site is not fully booked, implementation would provide pricing signals to Users to make available any available but unused deliverability. This should further increase efficient and economic operation by the licensee of its pipe-line system.

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

a) implications for the operation of the System:

Implementation might provoke minor and beneficial changes in operations due to the possibility of available but unused deliverability becoming available from other Users.

b) development and capital cost and operating cost implications:

Implementation would increase Transco's costs as a Gas Transporter.

c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:

Transco does not propose to recover any costs, which it may incur as a result of implementation of this Modification Proposal.

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

Transco is not aware of any consequence that implementation of 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

Transco is not aware of any consequence that implementation might have on the level of its contractual risk.

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

Transco LNG stated that a new system would be ready for implementation from the 1 December 2001 which would have the flexibility to effectively manage the operation of incorporating the requirement of this Modification Proposal. Transco is not aware of any other development implications for computer systems.

7. The implications of implementing the Modification Proposal for Users

Users would gain flexibility with regard to reducing prevailing withdrawal nominations in the event of a constrained Storage Facility being 'constrained on' and would have a new incentive to offer available but unused deliverability.

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

Transco LNG Storage would receive 'Storage Overrun Charges' from Transco acting as the Gas Transporter.

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

Contractually a charge would be placed on Transco as opposed to Users, to pay for 'Storage Overrun Charges' resulting from Transco 'constraining on' above available deliverability.

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

Advantages

Users would no longer incur inappropriate charges for overruns in the event that constrained re-nominations, by Transco, exceeded that User's available deliverability as a result of constraining on an LNG site.

Users would be able to reduce prevailing 'overrunning' withdrawal nominations, whilst continuing to ensure that Transco realises the constrained quantity required.

Disadvantages

Transco as the Gas Transporter would pay any overrun charges to Transco LNG Storage, as a result of constraining on above available deliverability.

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

Transco now invites representations to this Modification Proposal.

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

Transco is not aware of any such requirement

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

Transco is not aware of any such requirement.

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

Transco is not aware of any such requirement.

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

Transco is not aware of any such requirement.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of the Proposal.

Transco propose implementation.

17. Text

SECTION R: STORAGE

Amend paragraph 4.2.5 *to read as follows:*

"Without prejudice to Section Z6.2.8, on a Constrained Storage Day…."

SECTION Z: TRANSCO LNG STORAGE FACILITIES

Delete paragraphs 1.4.5 and 1.4.6.

Add new paragraph 6.2.8 to read as follows:

"6.2.8 Where in respect of a Constrained Storage Day a User has made a Storage Withdrawal Nomination in respect of a Constrained Storage Facility which exceeds the Storage Constrained Nomination Quantity (in accordance with paragraph 6.9.2(c) but not (d)) the User may make a Storage Renomination such that the revised Storage Nomination Quantity is not less than the Storage Constrained Nomination Quantity (in accordance with paragraph 6.9.2(c) but not (d))."

Amend paragraph 6.8.1 *to read as follows:*

"….pursuant to a Storage Constrained Renomination."

Amend paragraph 6.8.2 *to read as follows*

"The Storage Constrained Nomination Quantity under a Storage Constrained Renomination will be independent of the relevant User's Available Storage Deliverability, and other than where the circumstances in paragraph 6.8.3 apply. Transco. and not the User, will be liable (in accordance with paragraph 7. which shall apply *mutates mutandis* to Transco for the purposes of this paragraph) to pay (to Transco LNG Storage) any Storage Overrun Charges which may arise from a Storage Constrained Renomination."

Add new paragraph 6.8.3 *to read as follows:*

"6.8.3 Where the relevant User has made or makes a Storage Withdrawal Nomination for the Constrained Storage Facility in respect of which the Storage Nomination Quantity exceeds the Storage Constrained Nomination Quantity (in accordance with paragraph 6.9.2(c) but not (d)) the User will be liable (in accordance with paragraph 7) to pay any Storage Overrun Charges which may arise from the Storage Withdrawal Nomination."

Amend paragraph 6.9.2 *to read as follows:*

"(b)….;

(c) subject to paragraph (d), for each User the Storage Constrained Nomination Quantity shall be in the proportions in which all Users have Available Storage Space in the Constrained Storage Facility on the Constrained Storage Day;

(d) subject to (a), where one or more Users have already made Storage Withdrawal Nominations or make a Storage Renomination under paragraph 6.2.8 for the Constrained Storage Facility in respect of which the Storage Nomination Quantity exceeds the Storage Constrained Nomination Quantity (in accordance with paragraph 6.9.2(c) but not this paragraph (d)) the Storage Constrained Nomination Quantity:

(i) for any User with such a prevailing Storage Withdrawal Nomination or Storage Renomination, shall be equal to the prevailing Storage Nomination Quantity; and

(ii) in respect of other Users shall be the remainder of the Total Constrained Quantity in the proportions in which all such other Users have Available Storage Space in the Constrained Storage Facility on the Constrained Storage Day."

TRANSITION DOCUMENT, PART II

Delete text at paragraph 8.17.4 and insert 'Not Used'.

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date:

15/11/01