

Draft Modification Report
Removal of Section Z and related Changes to the Network Code
Modification Reference Number 0548

Version 1.0

This Draft 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

It is proposed to amend the Network Code by removing Section Z and making consequential changes to various other Sections. The amended Network Code would still contain the existing general terms applicable to all Storage Operators, but not any specific references to Transco LNG. This would facilitate the development of competitive and flexible storage services beneficial to Users.

Transco expects that for the remaining part of the Storage Year 2002-03, Section Z will be replaced by separate LNG Storage Services Contracts, incorporating similar terms to those currently within Section Z. Thereafter, these would be replaced with more flexible terms consistent with the final form of regulation for LNG, to be agreed with Ofgem. Transco assumes that Users would wish to have some clarity on the form of regulation for LNG prior to finalising their responses. It therefore proposes that consultation on this Modification Proposal takes place in parallel with the development of the LNG Storage Services Contract, which will be consistent with the final form of regulation.

2. Transco's Opinion

In order to facilitate development of competitive storage services outside the existing Transco GT licence arrangements, Lattice Group has proposed to separate the LNG business from Transco. This Modification Proposal is required to facilitate the implementation of separate contractual arrangements between the LNG business and its customers.

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

Separation of Transco's LNG facilities is consistent with Transco's objective in securing effective competition between relevant Shippers and also the efficient discharge of its obligations under its Gas Transporter Licence.

**4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:**

Transco has not identified any implications for the operation of the System.

b) development and capital cost and operating cost implications:

Transco is not aware of any development costs required to implement this 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:

Transco does not anticipate that implementation of this Modification Proposal would lead to an increase of costs.

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

Transco has not identified any consequence that this 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 does not anticipate any increase to its level of contractual risk. Some areas of present contractual risk will be reduced as a result of transfer from Transco to Lattice Group LNG under the contractual framework to separate the LNG business.

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

Transco does not anticipate any development implications for its computer systems or the related systems of Users.

7. The implications of implementing the Modification Proposal for Users

Implementation of this Proposal would facilitate the separation of the LNG business from Transco, which in turn would facilitate the development of competitive and flexible storage services beneficial to Users.

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

Following implementation of this Modification Proposal, the Network Code would still contain the existing general terms applicable to all Storage Operators. The remainder of applicable references in Section Z would be contained within separate LNG Storage Services Contracts. Transco does not therefore anticipate any adverse implications.

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

This Modification Proposal reflects the proposed changes in contractual relationships between Transco as Gas Transporter, the operator of LNG Storage facilities and Users.

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

Advantages

- would facilitate the development of competitive and flexible storage services to benefit Users.
- consistent with the efficient discharge of Transco's obligations.
- consistent with Ofgem's views expressed in the Final Proposals for SO Incentives.

Disadvantages

- Transco has not identified any disadvantages.

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 the Modification Proposal to be submitted within 15 working days following issue of Ofgem's consultation document on LNG disposal.

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

Implementation 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 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

Implementation is not required to have regard for 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.

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

Transco will ensure that the programme of works as a consequence of implementing this Modification Proposal will be consistent with the implementation of contractual arrangements between Lattice LNG and Storage Users, including Transco.

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

Transco proposes an implementation date of 1 September 2002.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of this Modification Proposal.

17. Text

SECTION B: SYSTEM USE AND CAPACITY

Amend paragraph 1.7.1(a) to read:-

“ charges (other than Energy Balancing Charges ~~or Storage Charges~~) payable by a User in respect”

Amend paragraph 2.12.5 to read:-

“ in respect of the Storage Connection Point of ~~an LNG~~ a Constrained Storage Facility then, subject to the proviso below, the System Entry Overrun Charge for a User in respect of that LNG-Constrained Storage Facility shall be zero for any overrun quantity but only to the extent that and for such part of that Day that the implied rate derived from the Constrained Storage Renomination exceeds the implied rate derived from ~~that User's Registered the~~ Storage Deliverability that that User is registered as holding pursuant to the relevant Storage Terms (as defined in Section Z) (in both cases for that LNG-Constrained Storage Facility). This paragraph shall only apply”

SECTION K: OPERATING MARGINS

Amend paragraph 1.2.3 to read “Not Used.”.

Amend paragraph 1.2.4 to read:-

“Transco will (~~asto the extent~~ provided in ~~Section Z~~ the relevant Storage Terms) have priority over all other Users in applications for Storage Capacity for Operating Margins Purposes in ~~Transco~~ LNG Storage Facilities.”

Amend paragraph 3.7.1(ii) to read:-

“ Available (in accordance with Sections P3.8.1 and R4.7.~~14~~) for Top-up and Constrained”

SECTION P: TOP-UP STORAGE

Amend paragraph 1.1.3 to read:

“Subject to paragraph ~~1.2.2~~ 1.2.3, the Top-up Manager may . . .”

Amend the heading to paragraph 1.2 to read:

“The Top-up Manager as aStorage User ~~of Transco LNG Storage Facilities~~”

Delete paragraph 1.2.1.

Delete paragraph 1.2.2.

Renumber paragraph 1.2.3 as paragraph 1.2.1 and amend as follows:

"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~~ 1.2.2, and the Top-up Manager shall . . ."

Insert a new paragraph 1.2.2 as follows:

"1.2.2 The terms referred to in paragraph 1.2.1 are that:

- (i) any requirements as to timing and approval of applications for Storage Capacity shall not apply to the Top-up Manager (and the Top-up Manager may apply for capacity in a Storage Facility in accordance with the late booking provisions for that facility);
- (ii) any requirements as to the notice required of changes to injection quantities shall not apply to the Top-up Manager;
- (iii) Storage Overrun Charges, if any, shall not be payable by the Top-up Manager in respect of injection to a Storage Facility outside the relevant injection period for that facility;
- (iv) the Top-up Manager may surrender Storage Capacity in accordance with paragraphs 2.9, 4.1 and 4.4."

Insert a new paragraph 1.2.3 as follows:

"1.2.3 Where the Top-up Manager applies for Storage Capacity in a Storage Facility, the Top-up Manager shall pay such Storage Capacity Charges as the relevant Storage Terms may provide."

Amend paragraph 2.1.2(iii) to read as follows:

" in respect of a Constrained Storage Facility is the amount of Storage Space (as shown in the ~~Annual Storage Invitation~~ Constrained Storage Statement) which Transco estimates is required with a view to avoiding a Transportation Constraint"

Amend paragraph 2.2.1 to read as follows:

"After ~~the each~~ Storage Operator has allocated Storage Capacity for a Storage Year to Transco for ~~Systems Operating~~ Margins ~~purposes~~ Purposes and to Storage Users pursuant to the ~~Annual Storage Invitation~~ relevant Storage Terms, ~~The the~~ Top-up Manager will determine, by not later than 15th April in the ~~preceeding~~ Preceding Storage Year . . . to Storage Users pursuant to the ~~Relevant-relevant~~ Storage Terms . . .

- (i) . . . is less than the Constrained ~~LNG Storage~~ Requirement;
- (ii) . . .;
- . . .

(ix)

Amend paragraph 2.3.2 to read as follows:

“the “**Storage Space**” or (as the case may be) “**Storage Deliverability**” ~~with-which~~ the “**Top-up Manager**” will be registered as holding under paragraph 2.3.1 in each “**Storage Facility**” will be equal . . .”

Amend paragraph 2.3.4 as follows:

“Where following the ~~Transeo LNG Applicable~~ Invitation Close Date and after the date when the Top-up Manager applies for Storage Capacity in a ~~Transeoan~~ LNG ~~Storage~~ Facility, any Storage User applies for and is registered as holding Storage Capacity in a ~~Transeoan~~ LNG ~~Storage~~ Facility, paragraph 4.4. will apply.”

Amend paragraph 2.5 by putting the paragraph heading in bold text.

Amend paragraph 2.5.2(iv) to read as follows:

““**Carry-Across Gas**” has the meaning . . .”

Amend paragraph 3.1 to read as follows:

“. . . (in accordance with the relevant Storage ~~terms~~ Terms) in respect of . . .”

Amend paragraph 3.3.1 to read as follows:

“. . . within such Applicable Injection Period on which ~~as~~-such an offer is accepted . . .”

Amend paragraph 3.4.1(ii) to read as follows:

“. . . in respect of all Storage ~~Facility~~ Facility Types;”

Amend paragraph 3.5.2(i) to read:

“. . . registered as holding any ~~uncommitted~~ Uncommitted Storage Space . . .”

Amend the paragraph heading to paragraph 3.8 by putting it in bold text.

Replace all references in paragraph 3.8.1 and 3.8.2 to “Carry-across Gas” with “Carry-Across Gas”.

Amend the heading to paragraph 4 to read as follows:

“TOP-UP STORAGE IN ~~TRANSCO~~ LNG STORAGE FACILITIES”

Amend paragraph 4.1.1 to read as follows:

“. . . (in each case only in relation ~~of a Transeo to an~~ LNG ~~Storage~~ Facility) . . .”

Amend paragraph 4.1.3 to read as follows:

“. The Storage User’s . . .”

Amend paragraph 4.1.4(iii) to read as follows:

“. . . tender pursuant to paragraph ~~2.40;2.9;~~”

Amend paragraph 4.1.9 to read as follows:

“. . . pursuant to paragraph ~~2.40~~2.9.

Amend paragraph 4.1.10 to read as follows:

“... other than ~~a Transecoan LNG Storage Facility~~, ... transfer of gas ~~(in a manner akin to a Storage Gas Transfer in accordance with Section Z)~~ in favour of such Storage User, ... seek to give effect to such request as if it ~~where were~~ a request made in respect of ~~a Transecoan LNG Storage Facility~~ ...”

Delete the paragraph number 4.1.12

Amend paragraph 4.2.1(ii) to read as follows:

“... the Top-up Transferee Storage User will make ~~in accordance with Section Z4.2~~ a Storage Gas Transfer ...”

Delete paragraph 4.2.2.

Amend paragraph 4.2.6(i) to read as follows:

“... in notifying to the Storage Operator ~~for the purposes of Section Z5.6~~ a proportionate reduction in the injection quantity for any Day in the Top-up Manager's Storage Injection Nomination and Confirmed Injection Programme(s) any confirmed injection programme(s) (if permitted pursuant to the relevant Storage Terms) prevailing at the Day the Top-up Storage Transfer ...”

Amend paragraph 4.2.6(ii) to read as follows:

“... an amount equal to the amount of any ~~Storage Scheduling Charge and/or Storage Management Charge~~ storage scheduling and/or storage management charges payable by the Top-up Manager pursuant to ~~Sections Z7.2 and Z7.3~~ the relevant Storage Terms in consequence thereof.”

Amend paragraph 4.3.3(ii) to read as follows:

“... in respect of the surrendered Storage Capacity by way of Storage Capacity Charges ~~under Section Z2.6 under the relevant Storage Terms~~, on the basis that the User was registered as holding the transferred capacity pursuant to ~~an~~ a late booking application under ~~Section Z3.7~~ the relevant Storage Terms made on the Day ...”

Amend the heading to paragraph 4.4 to read as follows:

“Surrender on late booking at ~~Transeco~~ LNG Storage Facilities”

Amend paragraph 4.4.1(i) to read as follows:

“a Storage User is registered ~~under Section Z3 in respect of an LNG Facility~~ as holding Storage Capacity pursuant to an application made after the Applicable Invitation Close Date, and”

Amend paragraph 4.4.2(i) to read as follows:

“... the Storage User was registered as holding ~~under Section 3.7~~ under the late booking provisions of the relevant Storage Terms, and”

Amend paragraph 4.4.3 to read as follows:

“... under paragraph 4.4.1 in relation to ~~a Transeo an~~ LNG ~~Storage~~ Facility ... by way of Storage Capacity Charges under ~~Section Z2.6~~the relevant Storage Terms if the User applied for and was registered as holding ...”

Amend paragraph 4.4.5 to read as follows:

“... pursuant to paragraph 4.4.1: at a ~~Relevant-relevant~~ Storage Facility during the conduct of a tender pursuant to paragraph ~~2.102.9~~ and thereafter ...”

Amend paragraph 4.4.6 to read as follows:

“... in respect of a Storage Facility other than ~~a Transeoan~~ LNG ~~Storage~~ Facility, ...”

SECTION R: STORAGE

Delete paragraph 1.1.2.

Amend paragraph 1.2.1(b) to read:

“... operating a Storage Facility ~~(and, for the avoidance of doubt, Transco LNG Storage may be a Storage Operator);~~”

Amend paragraph 1.2.4 to read:

“... in respect of a Storage ~~facility~~ Facility will be established...”

Amend paragraph 1.4 to read:

“...to the following 30 April and, in relation to any Storage Year, the “**Preceding Storage Year**” is the Storage Year ending at the start of such Storage Year.”

Amend paragraph 1.5.1 as follows:

“For the purposes of the Code:

(a) ...;

(b) ...;

(c) “**Applicable Injection Period**” is, in respect of:

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

~~(ii) any other a~~ Storage Facility, the period during which Storage Users may inject gas into the facility identified in pursuant to the relevant Storage Terms.”;

(d) “**Applicable Total Storage Space**” is, in respect of:

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

~~(ii) any other a~~ Storage Facility, the maximum quantity ... can be withdrawn during the Storage Year from the facility when full of stored gas (in the case of an LNG Facility, after allowing for LNG boil-off);

(e) “**Applicable Total Storage Deliverability**” is, in respect of:

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

~~(ii) a Storage Facility,~~ the maximum quantity ...

- (f) “**Maximum Injection Rate**” is, in respect of a Storage Facility, the maximum quantity . . . during the Applicable Injection Period;
- (g) “**Applicable Invitation Close Date**” is, in respect of:
 - ~~(i) — a Transco LNG Storage Facility, the Transco LNG Invitation Close Date;~~
 - ~~(ii) — any other a Storage Facility, the date identified . . . for a Storage Year;~~
- (h) “**Applicable Programmed Injection Days**” are, in respect of:
 - ~~(i) — a Transco LNG Storage Facility, Programmed LNG Injection Days;~~
 - ~~(ii) — any other a Storage Facility, the days Days in the Applicable Injection Period . . . other than Days on which it is planned or known . . . for any reason;~~
- (i) “**Applicable User Injection Rate**” in respect of:
 - ~~(i) — a Transco LNG Storage Facility, is the User LNG Injection Rate;~~
 - ~~(ii) — any other a Storage Facility, is, in respect of a Storage User, a rate . . . by the Applicable Injection Period;~~
- (j) “**Applicable Storage Nomination Time**” in respect of:
 - ~~(i) — a Transco LNG Storage Facility, is the LNG Storage Nomination Time;~~
 - ~~(ii) — any other a Storage Facility, is the time . . . made by the Storage User; and~~
- (k) “**Applicable Facility Injection Rate**” is, in respect of:
 - ~~(i) — a Transco LNG Storage Facility, the LNG Facility Injection Rate;~~
 - ~~(ii) — any other a Storage Facility, the injection rate”~~
- ~~(l) a User's “Available” Storage Space in relation to a Storage Facility is the Storage Space which the User holds on the Gas Flow Day in that facility after taking into account any transfer of Storage Space in accordance with the relevant Storage Terms;~~
- ~~(m) “Storage Duration” is, in respect of a Storage User holding Storage Capacity at a Storage Facility, the number of Days obtained by dividing the Storage Space by the Storage Deliverability applied for or registered as held by the Storage User in that facility;~~
- ~~(n) “Uncommitted” Storage Space or Storage Deliverability of a Storage Facility is the Maximum Storage Space or Maximum Storage Deliverability less the aggregate Storage Space or Storage Deliverability at such time registered as held by Storage Users pursuant to applications, or subject to applications made but not yet approved, under the relevant Storage Terms;~~
- ~~(o) “Storage Overrun Charge” is a charge payable by a Storage User pursuant to the Storage Terms as a result of the Storage User exceeding its Storage Injectability, or its Storage Space or its Storage Deliverability, or the quantity of gas withdrawn or transferred by the Storage User exceeds the Storage User’s gas-~~

in-storage, or in such other similar circumstances as the relevant Storage Terms may provide;

- (p) “**Storage Capacity Charge**” is the charge payable by a Storage User pursuant to the relevant Storage Terms in respect of Storage Capacity;
- (q) “**Storage Injection Charge**” is the charge payable by a Storage User pursuant to the relevant Storage Terms in respect of Storage Injectability;
- (r) “**Storage Deliverability Charge**” is the charge payable by a Storage User pursuant to the relevant Storage Terms in respect of Storage Deliverability;
- (s) “**Storage Withdrawal Charge**” is the charge payable by a Storage User pursuant to the relevant Storage Terms in respect of quantities of gas withdrawn from a Storage Facility;
- (t) “**Storage Space Charge**” is the charge payable by a Storage User pursuant to the relevant Storage Terms in respect of Storage Space;
- (u) “**Maximum Storage Space**” is, in respect of a Storage Facility, Storage Space determined as the Applicable Total Storage Space less the amount of Storage Space at the time subject to arrangements for the holding of Storage Capacity for more than 12 months, arrangements for the withdrawal of gas from the facility as LNG loaded onto road tankers pursuant to paragraph 1.8.3 and that held by Transco for Operating Margins Requirements;
- (v) “**Maximum Storage Deliverability**” is, in respect of a Storage Facility, Storage Deliverability determined as the Applicable Total Storage Deliverability less the amount of Storage Deliverability at the time subject to arrangements for the holding of Storage Capacity for more than 12 months and that held by Transco for Operating Margins Requirements;
- (w) “**Applicable Storage Space Charge Rate**” is the annual rate of the Storage Space Charge payable by a Storage User pursuant to the relevant Storage Terms in respect of Storage Space for a Storage Year;
- (x) “**Applicable Storage Deliverability Charge Rate**” is the annual rate of Storage Deliverability Charge payable by a Storage User pursuant to the relevant Storage Terms in respect of Storage Deliverability for a Storage Year;
- (y) “**Transferor Storage User**” is a Storage User who makes a Storage Gas Transfer to another Storage User;
- (z) “**Transferee Storage User**” is a Storage User to whom a Storage Gas Transfer is made by another Storage User;
- (aa) “**Transferred Gas-in-Storage**” is, in respect of a Storage Gas Transfer, the quantity of gas subject to such Storage Gas Transfer;

Amend paragraph 1.5.2 to read:

“For the purposes of the Code, in~~in~~ relation to any Storage Facility:

- (a) . . . ;
- (b) . . . ;

- (c) . . . ;
- (d) . . . ;
- (e) . . . ;
- (f) . . . ;
- (g) . . . ~~;~~ and
- (h)”

Amend paragraph 1.6 to read:

“... for the operation of Section E1.10, ~~irrespective of whether there is a Storage Balancing Arrangement in force pursuant to paragraph 2.2,~~ provided that ...”

Replace the whole of paragraph 1.7 (including the heading thereto) with “Not Used”.

Amend paragraph 4.1.1 to read:

“The ~~Storage~~ LNG Facilities ~~for which Transco LNG Storage is the Storage Operator~~ at Dynevor Arms, . . .”

Amend paragraph 4.1.2 to read:

“... in accordance with this paragraph 4. References:

- (a) . . . ;
- (b)”

Amend paragraph 4.2.4 to read:

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

- ~~(a) — in the case of a Transco LNG Storage 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 4.2.5 to read:

“~~Without prejudice to Section Z6.2.8, on~~ On a Constrained Storage Day. . .”

Amend paragraph 4.2.7 to read:

“... Transco will notify Users and ~~revise~~ the Constrained Storage Renominations such . . . 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.”

Amend paragraph 4.6.3 to read:

“... relevant percentage of the User’s Available Storage Space ~~(as defined in Section Z)~~, for which purpose... determined as the relevant percentage of the Maximum Storage Space ~~(less Storage Space held by Transeo for Operating Margins Purposes)~~ in the Constrained Storage Facility.”

SECTION U: UK LINK

Amend paragraph 5.1.2(b) to read:-

“an offer by a User to another User to make a System Capacity Transfer, as Transferee User”.

and delete sub-paragraphs (i) and (ii).

Amend paragraph 5.1.4 to read:-

“... another User a Capacity Transfer, ~~or~~ Trade Nomination ~~or Storage Transfer~~ other than ...”

Amend paragraph 5.4.2 to read:-

“For the purposes of paragraph 5.4.1, the “**Trade Notices**” are the notices required under Section B5.2.1”.

and delete sub-paragraphs (i) and (ii).

Amend paragraph 2.2 of Annex U-1 to read:-

“For the purposes of this Annex:

(a) “**applicable daily rate**” means₁÷

- (i) —in respect of System Capacity, the Applicable Daily Rate (in pence per kWh/Day) of the relevant Capacity Charge; ~~and~~
- (ii) —~~in respect of Storage Space, the Applicable Storage Space Charge Rate (in pence per kWh of Storage Space for a Storage Year) divided by 365; and~~
- (iii) —~~respect of Storage Deliverability, the Applicable Storage Deliverability Charge Rate (in pence per kWh of Storage Deliverability for a Storage Year) divided by 365;~~

(b) “**Capacity Transfer**” means a System Capacity Transfer ~~or a Storage Capacity Transfer~~;

(c) ...;

(d) “**Relevant Transfer Period**” means₂÷

- (i) —in respect of a System Capacity Transfer, the Transfer Period;
- (ii) ~~in respect of a Storage Capacity Transfer the Storage Transfer Period;~~

(e) “**Trade Transferor**” means₃÷

- (i) —in respect of a System Capacity Transfer, the Transferor User; ~~and~~
- (ii) —~~in respect of a Storage Capacity Transfer the Storage Transferor Storage User; and~~

(f) “**Trade Transferee**” means, :-

~~(i) in respect of a System Capacity Transfer, the Transferee User; and~~

~~(ii) in respect of a Storage Capacity Transfer the Storage Transferee Storage User.~~

(g) “**Transferred Capacity**” means Transferred System Capacity ~~or Transferred Storage Capacity.~~

Amend paragraph 3.3 of Annex U-1 to read:-

"If in respect of any Capacity Transfer Day ceases to be liable to pay to Transco the relevant Capacity Charges ~~or Storage Capacity Charges~~ in respect of in accordance with the following formula:

$$E = F \times G$$

Where:

E = ...;

F = ...;

G = to be liable to pay Capacity Charges ~~or Storage Capacity Charges~~ in respect of"

Amend paragraphs 3.4 and 3.5 of Annex U-1 to read “Not Used”.

SECTION V: GENERAL

Amend paragraph 1.6.5 to read:-

“ Non-Code Transportation Arrangements (including without limitation holdings of System Capacity ~~or Storage Capacity for LNG facilities~~) as Non-Code Shipper”

Amend paragraph 1.6.6 to read:-

“ Daily Imbalance Charges, Scheduling Charges, or ~~Overrun Charges~~ ~~or Storage Overrun Charges at LNG Facilities~~, shall be made disregarding quantities. . . .”

Amend paragraph 2.5.2(a) to read:-

“ Supply Point, or hold System Capacity ~~or Storage Capacity at LNG Facilities~~, or make a System Capacity Transfer ~~or Storage Gas Transfer in relation to an LNG Facility~~, or otherwise”

Amend paragraph 5.1.2 to read:-

“ maintenance and development of the System ~~and the Transco LNG Storage Facilities~~, facilitation of connections to”

Amend paragraph 7.1.2(i) to read,

“ in respect of the System and ~~Transco LNG~~ Storage Facilities;”.

Amend paragraph 7.1.2(iv) to read, “Not used.”

Amend paragraph 7.1.2(v) to read,

“ under which Transco is a Storage User ~~(for the purposes of Section Z)~~ in respect of ~~Transco~~ LNG ~~Storage~~ Facilities for the purposes of”.

Amend paragraph 7.2.3 to read,

“ any references to Transco-~~(including Transco LNG Storage)~~ as User, be”.

Amend paragraph 9.1.3(ii) to read,

“ or Connected System Operator ~~(other than in either case Transco LNG Storage (for the purposes only of Section Z))~~, or any supplier or”.

Amend paragraph 11.1.6(i) to read:-

“a Nomination, Interruption Notice, or notice of a System Capacity Trade; or Trade Nomination ~~or Storage Trade;~~”

~~Amend paragraph 14.3.1(a) to read:-~~

~~“ management and operation of the System ~~and Transco LNG Storage Facilities;~~ and”~~

SECTION W: INTERPRETATION

Amend paragraph 2.9.1 to read “Not used.”

Amend paragraph 3.4.1 to read:-

“ delivered to or offtaken from the System ~~or injected to or withdrawn from a Transco LNG Storage Facility~~, or at a rate of such delivery”

Amend paragraph 3.4.2 to read:-

“ delivery or offtake of gas to or from the System, ~~or injection or withdrawal from a Transco LNG Storage Facility~~, or any amount of System Capacity ~~or Storage Capacity~~, expressed in quantity or”

SECTION Z: TRANSCO LNG STORAGE FACILITIES

The text of the entire section shall be deleted and replaced with “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
Head of Regulation NT&T

Date: