

Modification Report
Amendment of Network Entry Provisions at Rough entry point
Modification Reference Number 0720
 Version 1.0

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

It is proposed that the gas entry provisions, which form part of the Network Entry Provisions for the Rough System Entry Point, would be amended as follows: -

Proposed Specification

Gas Quality Characteristic	Current Specification	Proposed Specification
Rough Wobbe Lower Limit	48.14 MJ/m ³	47.20 MJ/m ³
For Reference		GS(M)R Specification 47.20 MJ/m ³

2. Transco's Opinion

There could be implications for the security of gas supplies if gas injected into Rough were of a specification which would not allow for re-delivery into the NTS. Transco therefore supports implementation of this Modification Proposal, which would enable a revised gas quality specification to be incorporated in a Storage Connection Agreement (SCA). Any change to the Network Entry Conditions would apply upon implementation of a revision to the SCA.

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

The Proposer suggests that implementation of this modification would secure effective competition between relevant shippers, and removing the possibility of out of specification gas being re-delivered at the Rough entry point would further the efficient and economic operation of the pipeline system.

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

This Modification Proposal, should it be implemented, is expected to enhance the security of the System by ensuring Rough supplies are available to be delivered into the NTS.

Transco notes that the existing contractual lower Wobbe Number limit is narrower than the limits prescribed in GS(M)R. The Proposal would therefore remove this margin and presents an increased risk that any Wobbe Number excursion would breach GS(M)R. Transco requires the full co-operation of the Delivery Facility Operator (DFO) at each System Entry Point to ensure that gas supplies are compliant with GS(M)R.

b) development and capital cost and operating cost implications:

Changes in capital and operating costs would only be expected were implementation of the Modification Proposal to lead to a change in flow patterns on Transco's network. At present Transco has no data to suggest that the implementation of this Modification Proposal would lead to a change in the flow patterns on the System.

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:

To the extent that implementation of the Modification Proposal were to lead to increased costs, Transco believes it would be appropriate for these to be considered as part of the next price control review. However, were a significant impact on operating costs to be identified within the present price control period, Transco believes the most appropriate way for Transco to recover the costs would be by application of paragraph 14(11) of Part 2 of Special Condition 28 of its Gas Transporters Licence.

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

Transco is unaware of any such consequences.

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 unaware of any such consequences.

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

No implications have been identified.

7. The implications of implementing the Modification Proposal for Users

Implementing the Modification proposal would be expected to facilitate Users continued full use of the Rough facility under the new gas quality scenarios which may occur on the NTS as a result of recent Network Code Modifications.

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

Implementation of this Modification Proposal may result in increased confidence of gas being able to be delivered into the NTS from the Rough facility. This should have a positive impact upon security of supply.

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

Transco has not identified any such consequences.

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

Advantages

Enhances security of supply by ensuring Rough can continue to store NTS gas and redeliver it to the System when required.

Disadvantages

None identified.

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

Representations have been received from:

Respondent	Response
Centrica Storage Ltd (CSL)	Support for
E.ON UK plc (EON)	Support for
Scottish and Southern Hornsea Ltd (SSH)	Support for
Scottish and Southern Energy Ltd (SSE)	Support for
Scottish Power Energy Management (SP)	Qualified Support for
British Gas Trading (BGT)	Support for

11.1 General Principles

This Modification Proposal received six representations. Five were supportive and one offered qualified support.

SP offered only qualified support “based on the premise that arrangements are put in place which allow the flow of gas of a similar spec at other aggregated system entry points”. They further commented that “We believe that there are a number of issues that need to be explored here, and would welcome the opportunity to discuss these before any mod proposal is implemented for specific sites. Scottish Power Energy Management is raising a related proposal for consideration at the October Modification Panel”.

Although offering support both SSE and SSH felt that the issue that this Modification Proposal seeks to address is not unique to Rough but as SSE states “applies equally to other Storage Facilities and in particular to the Storage Facility owned and operated by SSE Hornsea Limited”. SSE stated that they had raised Modification Proposal 0722 to amend the Hornsea gas quality specification to, as SSH explains, “introduce consistency between the Entry Provisions at Hornsea and the recent modification proposals that have been put forward by shippers to amend the gas quality specifications at certain Network Entry Points”.

Transco Response

Transco recognises that the issue of gas entering a storage facility but not being able to be injected back into the NTS due to a potential mismatch of gas quality specification is a concern to Storage Facility Operators. Transco is therefore supportive of Modification Proposals from SFOs to amend their Storage Connection Agreements to bring them in line with recent gas quality changes at Entry terminals.

11.2 Safety and GS(M)R

BGT noted the Transco comment in the Draft Modification Report for this Modification Proposal that the adoption of the GS(M)R wobbe index increased the possibility of gas flows outside of the legal limits and agreed that “places an additional responsibility upon the DFO/SFO in order to ensure that this is closely monitored and controlled”.

Transco response

Transco requires the full co-operation of the Delivery Facility Operator (DFO) / Storage Facility Operator (SFO) at each System Entry Point to ensure that gas supplies are compliant with GS(M)R.

11.3 Security of supply

SSE stated that this Modification Proposal should be approved and implemented as otherwise “it would be detrimental to security of gas supply and the efficient and economic operation of the system if gas injected into Rough cannot subsequently be withdrawn”.

BGT agreed that unless the gas quality limits at Rough were adjusted the mismatch between Entry and Exit gas quality at Rough “undermines the usage and operation of gas storage and could have implications for security of supply”.

EON also commented that unless this Modification Proposal was implemented it could “pose negative implications for security of supply”.

Transco Response

Transco agrees that this Modification Proposal, if implemented, would enhance the UK security of supply situation by ensuring that Rough gas is capable of being accepted back into the System when required.

11.4 Securing competition

CSL commented that this Modification Proposal “secures effective competition between relevant shippers by allowing Rough storage customers to withdraw gas this winter without concern that Transco may deem that gas taken from the NTS is now ‘out’ of specification at this entry point”.

EON commented “The implementation of this proposal would better facilitate the relevant code objective (c) the securing of effective competition between relevant shippers and relevant suppliers through ensuring consistent gas entry conditions across the system”.

Transco Response

Transco agrees with these comments.

11.5 Implementation

CSL commented that they felt this proposal should be implemented by agreement with Transco far earlier than the Transco envisaged timeframe of the Rough Summer 2005 injection program pointing out that “Rough injected gas on 41 days last winter in the period from November 2003 to March 2004”.

BGT supported this reasoning stating that it “would seem prudent to ensure that all amendments to the gas specification at this point are coincidental and that the two Modifications [Modification Proposals 711 and 720] have common implementation dates”.

In relation to the generic SCA consultation currently being undertaken CSL noted that “Clause 2 of Annex C-2 of the Rough SCA offers a degree of protection *“Where gas is offtaken at the SCP outside the Gas Entry Conditions then where such gas is within the limits referred to in Part 1 of Schedule 3 of the Gas Safety (Management) Regulations 1996 (‘GSMR’) the entry conditions in respect of such gas will be the GSMR limits*

other than in respect of calorific value ...". However, CSL note that the revised draft SCA seeks to dilute this safeguard, despite the fact that the original clause was the matter of extensive debate and consultation and is considered very important to storage operators".

Transco Response

Whilst Transco accepts that Rough can undertake periods of injection during the winter period it is felt that the relative volumes of injection when compared to the volumes stored in the Rough facility would mean the risk of Rough being unable to re-inject gas back into the NTS over this winter period is small. However Transco appreciates that it is a risk that Rough shippers would rather avoid and therefore are supportive of amending the SCA with CSL as soon as practicable, subject to this Modification Proposal being approved.

11.6 Other Comments

CSL stated that it "does not envisage any changes in flow patterns resulting from implementation of this Proposal" and "does not believe there will be any material change in costs as a result of this Proposal or as a result of Modifications 720".

Transco Response

Transco notes the comments from the CSL.

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 would contractually agree the revised gas quality specification through a revision to the SCA with Centrica Storage Limited, acting in its role as a SFO at Rough. Upon implementation of the revision to the SCA, System Users would be able to flow gas at the relevant System Entry Point in accordance with the revised specification.

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

Transco would envisage that, should this Modification Proposal be accepted, that the revision to the SCA could be agreed and implemented before the beginning of the Rough summer 2005 injection program.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of this Proposal.

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

Revised Network Code legal text is not required as implementation would be achieved via execution of the SCA.

Signed for and on behalf of Transco.

Signature:

Richard Court
Commercial Frameworks Manager
NT & T

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 **0720**, version **1.0** dated **19/10/2004**) 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 **1.0**.

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.