

**URGENT Modification Report**  
**Amendment of Network Entry Provisions at Total E&P UK sub-terminal at St. Fergus**  
**Modification Reference Number 0707**

Version 2.0

This Modification Report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.9.3.

**Circumstances Making this Modification Proposal Urgent:**

In accordance with Rule 9.1.2 Ofgem has agreed that this Modification Proposal should be treated as Urgent because

“The granting of urgent status and adherence to the timetable [set out below] would ensure that the proposal is in a position to be decided upon and if appropriate implemented in readiness for the gas year 2004/05. In coming to this decision, Ofgem has also been mindful of its statutory duty to secure that, so far as it is economical to meet them, all reasonable demands for gas are met.”

**Procedures Followed:**

Transco agreed with Ofgem (and has followed) the following procedures for this Proposal:

**1. The Modification Proposal**

It is proposed that some of the Gas Entry Conditions, which form part of the Network Entry Provisions, for St. Fergus System Entry Point be amended in accordance with the following:-

1) Proposed changes as requested by Total E&P UK to enable increased gas supplies at the St. Fergus System Entry Point.

<b>Gas Quality Characteristic</b>	<b>Current Specification</b>	<b>Proposed Specification</b>
Wobbe No:- Upper Limit	51 MJ/m3	51.41 MJ/m3

If this proposal is approved then the revised Gas Quality Specification is intended to be incorporated within the Network Entry Agreement at the Total E&P UK sub-terminal.

## 2. Transco's Opinion

Transco understands that, should this Modification Proposal and the associated Network Entry Agreement (NEA) be implemented, the increase of the upper Wobbe Number limit at the Total E&P UK sub-terminal at St. Fergus would enable additional gas supplies to be delivered at the St. Fergus System Entry Point.

Transco supports the intention that the revised gas quality specification would be incorporated in a NEA, should this Modification Proposal be implemented. Any change to the Network Entry Conditions should only apply upon implementation of the NEA.

Transco considers that it would also be appropriate to use the opportunity of entering into a NEA to update the gas quality specification to take into account specific requirements laid down in the Gas Safety (Management) Regulations 1996 (GS(M)R), as noted in the justification for this Modification Proposal. Transco considers that this would not cause any adverse impact on System Users as these requirements already apply by virtue of Section I 2.4.5 of the Network Code, and would ensure that the Network Entry Provisions are clearly aligned with GS(M)R.

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

The Proposal would enhance security of supply by creating the commercial environment required for the development of reserves. In enabling the economic and efficient delivery of additional gas supplies at St. Fergus, implementation of this Proposal would be expected to facilitate the achievement of securing effective competition between relevant Shippers and relevant Suppliers.

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

### a) implications for the operation of the System:

Increasing the upper limit for the Wobbe Number may facilitate a different pattern of gas delivery into the System. At this stage, Transco would not anticipate a need to amend its investment plans should this Modification Proposal be implemented. This may change, however, if future auction signals reveal that the release of incremental entry capacity is justified.

Transco notes that the existing contractual upper Wobbe Number is lower than the limit 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:

As indicated in Ofgem's letter of 14 July 2004 granting urgent status to Modification Proposal 0707, Transco was asked to set out its views of potential cost implications on its system should Modification Proposal 0707 be implemented to support the consultation on this Proposal.

The paper that Transco prepared in response to this request is included as an annex to this report.

**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:**

As stated in the annex, the increase in the upper Wobbe Number limit could lead to increases in SO costs. Such costs are part of the SO Incentive arrangements and therefore any change in costs would be shared with relevant Shippers. Transco would also observe that the identified costs are associated with aggregate supplies at St. Fergus. As such, it would not seem appropriate to target the marginal costs to the flows entering the system as a result of implementing this Modification Proposal.

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

Although it is not anticipated that there would be any impact on price regulation, any increases in costs as a result of this Proposal would flow through the SO Incentives and would be recovered ultimately through increased transportation charges.

**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**

As noted in the Modification Proposal, implementation of this Proposal would be achieved through execution of an Network Entry Agreement (NEA) with the Delivery Facility Operator (DFO). This NEA would meet the requirements of Section I of the Network Code.

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

Implementation of this Modification Proposal would not have any development or other implications for computer systems.

**7. The implications of implementing the Modification Proposal for Users**

As stated in the annex, the increase in the upper Wobbe Number limit could lead to increases in SO costs. Such costs are part of the SO Incentive arrangements and therefore any change in costs would be shared with relevant Shippers. Implementation of the Proposal would enable additional gas to be available to the market affording Users with greater options in respect of how they might source gas to satisfy their balancing requirements.

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

The increase in the upper Wobbe Number limit would allow the DFO at the sub terminal greater scope to process greater quantities of offshore reserves. Producers would also be able to economically develop gas fields with higher Wobbe Numbers compared to that currently contractually permitted.

**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:

Additional gas supplies may be made available to the market, thereby enhancing competition, putting downward pressure on prices, and enhancing security of supply.

### Disadvantages:

Potential change in pattern of gas delivery might increase the cost of operating the System.

## 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
BP	For
British Gas Trading	For
Centrica Storage Ltd	For
EDF Energy	For
E-on UK	For
ExxonMobil	For
RWE Innogy	For
Scottish Power	For
Statoil	For
Total E&P UK Plc	For
Total Gas & Power Limited	For

### 11.1 General Principles

Eleven responses were received, all of which were broadly supportive.

ExxonMobil considered that “...any measures that can be taken to facilitate commercially agreed arrangements for the delivery of gas into the UK should be given due consideration and, where practical, implemented”.

Centrica Storage “supports in principle and wherever practicable the declared intention of the Proposal of altering entry conditions “to enable additional gas supplies to be delivered” to the NTS.”

Scottish Power believes “... that this modification represents an improvement on the existing arrangements in that it allows for larger quantities of gas to be delivered into the system. Since there are no specific issues associated with the quality spec of the gas in question at the St. Fergus terminal, and that the benefits can be realised for this winter, we believe that this modification should be implemented on the proposed date”.

### 11.2 Safety and GS(M)R

Total Gas & Power notes that *“The primary intent of the proposal is to ensure that all gas that meets the quality specifications detailed in the Gas Safety (Management) Regulations 1996 [GS(M)R] can be capable of being offered to the market”*.

Statoil states that *“As the change being proposed to the Network Entry Agreement will maintain supplies within the Gas Safety Management Regulation (GSMR), it would seem appropriate to allow these supplies into the UK”*.

EDF Energy notes *“...that the HSE did not respond to gas modification 681 and would request that Transco liaise with the HSE on such issues”*.

Centrica Storage *“...would not support changes which would be likely to cause safety issues or problems or safety issues at exit or for downstream plant, or changes which might cause problems at other entry points.”*

BGT raised concerns regarding safety at the consumers premises and *“...understand that the setting of the upper limit for the Wobbe index in the Entry Agreement may have included some allowance for variation in the Wobbe value that would be experienced in normal operation, particularly where the Wobbe is being controlled at, or near the maximum limit, by nitrogen injection. With the raising of the Entry specification to the same as that for the system upper [safety] limit this "tolerance" is no longer present. As the effect of Wobbe excursions above this limit would be increased risk of Carbon Monoxide levels in domestic appliances, it is essential that both the operator and Transco monitor these levels closely to ensure that the limit of the specification is not exceeded”*.

### **Transco Response**

Transco is not permitted to accept gas into its System which does not comply with GS(M)R. Transco therefore agrees with BGT that the proposed relaxation of the Wobbe Number to the GS(M)R upper limit removes the “tolerance” that currently exists. This will increase the importance of close operational monitoring of the Wobbe Number levels at St. Fergus Total and co-ordination with the DFO to ensure that the gas supplies are always GS(M)R compliant. Transco considers this should be reflected in the requirements regarding co-ordination and monitoring of gas quality limits in the Local Operating Procedures to be contained in the NEA for St. Fergus Total and other System Entry Points where limits equal, or are close to, the GS(M)R limits.

## **11.3 Security of supply**

Total E&P UK *“...agree with Transco’s statement that additional supplies available to the system could enable additional demand to be supported, for example in severe winter conditions, facilitating the objective of security of supply”*. This was supported by Statoil.

RWE Innogy believes that *“...by enabling the economic and efficient delivery of new gas supplies at St. Fergus security of supply ... will be enhanced”*.

BP considered that *“... it would seem sensible to maximise the utilisation of existing onshore and offshore assets such as St. Fergus, where the new developments referred to in the Proposal could be*

*brought on stream quickly..” to “..effectively strengthen the medium-term security of supply situation by creating the commercial environment required for the development of proven UKCS reserves.”*

## **Transco Response**

Transco agrees that, were additional gas to be able to flow at St. Fergus as a result of implementation of this Modification Proposal, the initial impact would be enhancement of security of supply within GB. This may not be the case over time, however, to the extent that implementation of the Proposal influences decisions regarding the time at which other supplies are made available to the market.

## **11.4 Costs**

All but one respondent made comments in respect of the information Transco provided on costs to support the consultation process. Many respondents appreciated the difficulties highlighted by Transco in accurately predicting the costs that may be incurred if this Modification Proposal is implemented.

BGT notes that Transco anticipates “... some impact upon cost of buy backs and additional compressor fuel in the event that a greater proportion of gas to meet demand is sourced via St. Fergus...” but challenges a perception of Transco’s view that “...no action has been taken to mitigate the effect” and “...assume that through their planning processes and the indications given by Users in the allocation of LTSEC, some provision would be made for system reinforcement in order to reduce the likelihood of buybacks In respect of compressor usage, the exposure to these additional costs upon Transco through their SO Incentives will again provide the response to provide necessary capacity.”

ExxonMobil expects that widening the Wobbe Number limit “...is more likely to lead to a reduced rate of decline in gas supply, rather than a significant increase in supply” and “...if that were to be the case, then we believe the predictions in the analysis of increased supply look to be overly optimistic and conversely the associated risk appears to be pessimistic”.

Scottish Power “...feel that any additional exposure on buy-back and other costs should be met by the revenue from the sale of additional entry capacity (which will need to be made available) as well as the charges for the flow of the additional gas through the system”.

Total Gas & Power notes that in respect of the predicted increased costs of compression, the “...costs of local compression required to bring in gas from the sub terminal are paid for by those shippers entering the gas as an additional sub terminal throughput charge. The impact on other compression costs is surely outside of any argument that can sensibly be made unless NGT are now suggesting that we should move away from a National Transmission System charging methodology”. They also “...welcome and agree with NGT’s recognition of the benefit of the modification to potentially enable additional demand to be supported with the potential for top-up costs to be avoided.”

Statoil notes that “Although Transco highlight a potential for an increase in shrinkage costs this must be viewed in the context of increased gas supplies to the UK and benefit that this could bring to



*consumers and system integrity as a whole. In relation to the costs of capacity buy backs it should be highlighted that it is for Transco to manage its exposure to the cost of buy backs through the appropriate use of the tools available to it, which are not limited to the spot buy back market. If shippers have bought adequate Entry Capacity for their needs then they should be entitled to flow against it."*

*Centrica Storage "...agree that the main consequences of increasing the upper WI limit at Total's sub-terminal at St. Fergus would be likely to be some reduction in the marginal cost of gas (and hence "a potential benefit for all gas consumers"), perhaps partly offset by some increases in system operations costs." However EDF Energy considers that it is "...hard to calculate whether there will be a positive or negative change to gas prices" as "we are unsure of how much extra gas supplies will be flowed into the NTS as a result of this modification being implemented". This view is also supported by RWE Innogy. BGT also believes that additional quantities of gas "...will presumably also reduce the costs incurred by the operator in that less inert gas injection will be required to meet the entry specification at that entry point" and that it "...should have a downward pressure on gas prices which is welcomed".*

*RWE Innogy did not consider it relevant to include costs of managing entry capacity as "... they would similarly be incurred if similar quantities of gas meeting the current entry specification were to be delivered at St. Fergus". This was supported by Total Gas & Power who do not agree "with the relevance of Transco's estimation of possible entry capacity buy-back costs, particularly using 2004 data over the April 2004 to March 2005 period. The assumption that the additional gas will flow on every single day is, whilst theoretically feasible, in practice exceptionally unlikely." With regard to the shrinkage costs, RWE also notes, "... these would not appear to be material, and may well be able to be accommodated by Transco within the allowance they currently receive for NTS shrinkage under price control."*

### **Transco Response**

Transco published a note setting out its views of potential cost implications on its System were this Modification Proposal to be implemented in response to Ofgem's decision letter on the urgency of the Proposal. The note highlights that there could be an increased risk of adverse performance under the SO Incentive scheme if additional gas is enabled to flow at St. Fergus Total as a direct result of implementation of this Proposal. Rather than make specific assumptions about the likely level and duration of additional flow that might be seen at St. Fergus, the note on cost implications illustrated a range of scenarios for a given set of circumstances.

Whilst Transco agrees with some respondents that it has a range of tools available to it to manage any adverse impact on the cost of operating the System, it believes that, were this Modification Proposal to be implemented, it should not be exposed to any additional costs, which were not envisaged at the time the incentive scheme parameters were established.

## **11.5 Securing competition**

Total Gas & Power believes that *“...the overall effect of the proposal should be to allow more gas to enter the UK should such gas be available for delivery and to improve terminal to terminal competition.”*

Total E&P UK states that *“..bringing the Network Entry Specifications in line with the Gas Safety (Management) Regulations Specifications will enable the efficient delivery of new gas supplies, which will promote competition.”*

BP believes that *“In enabling the economic and efficient delivery of new gas supplies at St. Fergus, implementation of the Proposal would be expected to facilitate the achievement of securing effective competition between relevant Shippers and Suppliers”.*

RWE Innogy believe that *“...effective competition between relevant shippers and suppliers will be enhanced”.*

### **Transco Response**

Transco considers that this Modification Proposal, if implemented, would enable the delivery of additional gas at St. Fergus Total where it is economic to do so. Transco therefore supports the views that it would facilitate the relevant objective of securing effective competition between relevant shippers and suppliers.

## **11.6 Treatment of similar Modification Proposals**

Centrica Storage suggests that *“...in the light of the presentations and discussions at Transco's recent "TBE" seminar and the risks to supply security if Norwegian gas does not flow reliably into the Transco system we wish to suggest that there should now be a presumption in favour of all entry points having an upper WI limit of 51.41 MJ/m<sup>3</sup> (the GS(M)R upper limit) unless there are clear reasons (operational or economic) to have a lower limit at certain entry points. We therefore recommend that Transco be asked to demonstrate whether there are any entry points at which they consider that the upper WI limit needs to be below 51.41 MJ/m<sup>3</sup> in future. We believe that failing to allow increases to 51.41 MJ/m<sup>3</sup> at some sites would in fact constitute undue discrimination.”* Total Gas & Power also considered that *“the proposal should be implemented in that it is fully supportive of the need for Transco to avoid any undue preference or undue discrimination in the terms on which it undertakes the conveyance of gas.”*

ExxonMobil states that *“If this Modification Proposal goes through to implementation, we would expect that any other similar requests for a widening of the Wobbe Index (within GS(M)R) would also be granted”.*

### **Transco Response**

Transco notes the comments made by Centrica Storage and Total Gas & Power in respect of the potential for undue discrimination in the event that entry points are not allowed the upper GS(M)R Wobbe Number. Transco considers that a proper test of discrimination is not whether the requirements for gas quality at any given point in time are consistent with those at some other point



in time, but rather whether at any given time all parties are treated in the same way in the same circumstances. Transco has been and is continuing to seek to renegotiate entry arrangements with the relevant DFO in order to move away from specific legacy arrangements and towards a consistent framework as embodied in a standard NEA.

## **11.7 Carbon Dioxide levels**

*Centrica Storage suggests that “it is timely to consider increasing the upper limit on carbon dioxide content to 2.5% mol. We understand that Transco normally requires an upper limit of 2.0% mol though this is not a requirement of GS(M)R. We believe that Transco’s limit was primarily driven by a desire to avoid costs of changes to the liquefaction plant at Grain, but this should no longer be an issue. An increase to 2.5% mol, the limit used in the Norwegian “dry gas” system, would make the UK a more attractive and economic destination for Norwegian gas and should therefore enhance the UK’s system security level. We are unaware of convincing reasons for the UK to retain the lower limit.”*

### **Transco Response**

Transco notes these comments on carbon dioxide and would welcome a wider industry debate on gas quality issues. However, this is beyond the scope of this Modification Proposal.

## **11.8 Industry discussions**

*Centrica Storage “...consider that it would have been appropriate for Transco to have offered during the period to the closing date for representations an open meeting at which the various issues could have been discussed”.*

### **Transco Response**

Transco accepts that industry discussion can be of value, but the timetable constraints associated with urgent Modification Proposals do not lend themselves to such discussions.

## **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 the execution of a NEA with Total E&P UK, acting in its role as a DFO at St. Fergus Total. Upon implementation of the NEA, 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)**

Proposal agreed as Urgent	14 July 2004
Issue for consultation	14 July 2004
Representations close out	28 July 2004
Final Modification Report to Ofgem	02 August 2004
Ofgem decision expected	16 August 2004

#### **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 NEA.

## **Annex – Transco note on costs as circulated on 22nd July 2004**

### **Network Code Modification Proposal 0707: Amendment to Network Entry Provisions at Total E&P UK sub-terminal at St. Fergus - cost implications**

#### **Background**

As indicated in Ofgem's letter of 14 July 2004 granting urgent status to Modification Proposal 0707, Transco has been asked to set out its views of potential cost implications on its system were Modification Proposal 0707 to be implemented. In the Modification Proposal, the proposer indicates a requirement for amendment of Network Entry Provisions by way of a Network Code Modification once Transco and the Delivery Facility Operator have agreed to change the Network Entry Provisions and to incorporate these in a Network Entry Agreement. When considering the potential costs associated with implementation of the Proposal, Transco has therefore assumed that the proposed Network Entry Provisions are implemented in a Network Entry Agreement.

#### **Cost implications**

The financial impact across Transco's system of any change to the gas quality specifications at a System Entry Point would be expected to reflect the resulting change in the quantity and quality of gas entering the system at that System Entry Point. However, any change in gas flow at one System Entry Point will, given no change in demand, be offset by equal and opposite flow changes elsewhere. It is difficult to accurately predict the likely change in gas flows over time at either St. Fergus or other entry points which might be anticipated were this Modification Proposal to be implemented.

This note focuses on the potential cost impact associated with Transco's operation of the NTS. However, perhaps the largest potential cost impact would arise as a result of any change in the gas price as a result of implementing this Modification Proposal. Views on the likely scale of such an impact would be welcome, but Transco would observe that, if implementation of the Modification Proposal were to lead to a change in the pattern of gas supplies entering the NTS, it would be reasonable to assume that this would be because lower cost supplies were available. Other things being equal, it would be expected that the highest cost supplies would be displaced, such that the marginal cost of gas should be expected to fall. If competition in the market is effective, the availability of lower cost supplies should lead to reduced gas prices and a potential benefit for all gas consumers.

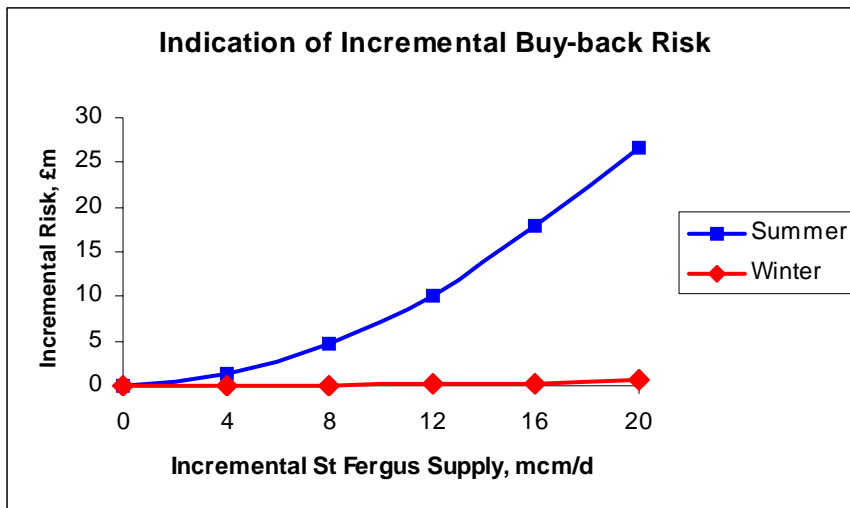
Transco has also considered the likelihood that implementation of the Modification Proposal would impact its NTS investment plans. At this stage, Transco would not anticipate changing its investment plans were the Modification Proposal to be implemented. This may change, however, if future auction signals reveal that the release of incremental entry capacity is justified.

#### **System Operation Cost Impacts**

##### *Entry Capacity Buy-Back Costs*

If the consequence of implementing this Modification Proposal is that the proportion of demand met by supplies from St. Fergus is higher than would otherwise be the case, there would be a potential increase in the cost of managing entry capacity constraints at St. Fergus. Transco would not anticipate any offsetting saving in buy-back costs at other entry terminals in the immediate future.

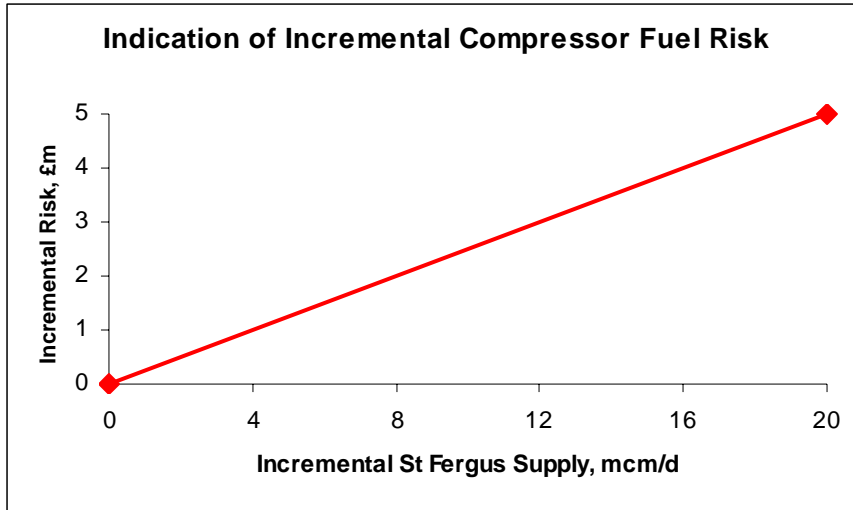
To illustrate the potential change in buy-back costs, Transco has considered the potential impact were implementation of the Modification Proposal to lead to a sustained increase (i.e. increased on each and every day) in desired flows at St. Fergus. As an indication of the possible impact, Transco has modelled, based on 2004 data, the potential change in spot buy-back costs were Shippers to seek to flow up to an additional 20mcm/d throughout the period April 2004 to March 2005. Buy-back costs tend to be volatile and difficult to accurately predict, and hence any modelling results should be interpreted as no more than indicative of the potential costs assuming no ameliorating action was undertaken – such as investment in additional physical capacity or through commercial actions. The modelled results for differing additional flow levels are summarised in the graph below, which shows the average cost which emerges from a relatively wide modelled range, for Summer and Winter. The results suggest that if Shippers were to seek to deliver a sustained increase in flows from St. Fergus throughout the whole period, above the level seen since March to date this year and above the level Transco presently anticipates for the remainder of the year, potential buy-back costs could increase materially in the Summer. The more limited potential Winter impact is largely a reflection of an assumption that maximum flows would effectively be capped by the level of available entry capacity, whereas in Summer the available capacity rights generally leave significant headroom against which additional flows can be nominated.



*NB: The graph illustrates the potential buy-back risk if Shippers desired flows increase on each and every day during the period.*

#### *Shrinkage Costs*

If flows from St. Fergus increase as a consequence of implementing this Modification Proposal, this would be expected to increase the costs of compression needed to ensure the gas is transported to the remainder of Transco's system. As for entry capacity buy-back costs, Transco has modelled the potential impact of a sustained incremental daily flow at St. Fergus of 20mcm/d, given no change in NTS demand, on the costs of compression for 2005/06. This indicates a potential increased annual compression cost of £5m as a central estimate within a potentially wide range which depends on actual gas costs and the entry points from which flows are displaced. The graph below illustrates the potential incremental costs assuming a linear relationship between compression costs and additional flows at St. Fergus.



*NB: The graph illustrates the potential annual compressor fuel risk if flows increase on each and every day.*

#### *Other Costs*

While Transco would not anticipate other material cost impacts in the immediate future as a result of implementing this Modification proposal, additional costs may arise. For example, if the proportion of demand met by supplies from St. Fergus is higher than would otherwise be the case, there could be an increase in the number and consequently cost of locational OCM buy actions at other system entry points. This could become necessary to secure sufficient security in specific areas of the network, particularly the South.

There may also be a positive financial impact on Transco and Shippers through the entry capacity buy-back incentive scheme as a result of implementing the Modification Proposal. If Shippers seek to increase aggregate flows at St. Fergus and purchase additional entry capacity rights as a consequence, this would increase revenue attributed to Transco's entry capacity buy-back incentive scheme to the extent that the capacity sold was non-obligated, interruptible, or sold within-day – and not offset by a revenue reduction elsewhere.

Transco would also observe that were additional supplies to be available to the system as a result of implementation of the Modification Proposal, this could enable additional demand to be supported, for example in severe Winter conditions. To the extent that this was the case, there may be potential for top-up costs to be avoided.



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 **0707**, version **2.0** dated **16/07/2007**) 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 **2.0**.

Signature:

**Process Manager - Network Code**  
**Transco**

Date:

## Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
  - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or
  - (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriateprovided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.