

Modification Report
Isle of Grain: Change of Status from LNG Storage Facility to Importation Terminal
Modification Reference Number 0639
Version 3.0

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 Isle of Grain be removed from the list of Transco LNG Storage Facilities and from the list of Constrained Storage Facilities in Sections R 1.7.1 (b) and R 4.1.1 respectively of the Network Code. This would reflect its change of status from a Storage Facility to a LNG importation terminal.

It is further proposed that the application of Section K: Operating Margins and Section R4: Constrained Storage be widened to enable the inclusion of any appropriately located LNG importation terminal. This would allow Isle of Grain to continue to provide these services to Transco, as reflected in Transco's Safety Case, whilst at the same time allowing any similar importation terminal to offer these services on the same basis. This basis includes application of the same locational criteria in determining whether that terminal is suitable for provision of Constrained Storage services and locationally sensitive Operating Margins services.

In respect of Top-up, it is proposed that the Isle of Grain availability would contribute to the maximum daily supply as defined in Section O2.2 in the same manner as any System Entry Point that is not a Storage Facility. The Top-up Manager would not in consequence apply for Top-up Storage Capacity at the Isle of Grain but would, if required, still apply for Top-up Storage at Storage Facilities. If the Top-up Manager determined a Winter Top-up Injection Requirement in respect of the Short Duration Storage Facility Type, it would retain its present rights under the Network Code to partly or wholly counter the effect of withdrawals made on that Day by Users, in respect of Isle of Grain. This would entail the temporary allocation of Storage Space at Isle of Grain that reflected the quantity of gas associated with the Top-up Manager's injection nomination.

It is intended that the Top-up Manager would only be allocated Storage Space at Isle of Grain whilst that Space was available. For example, an LNG cargo transfer into the storage tanks might necessitate the withdrawal of gas occupying that Space prior to that transfer. The cost of such gas and its storage at the LNG importation terminal would be included within Top-up Costs.

As a consequence of Transco's use of Operating Margins services at Isle of Grain, it is proposed that the cost of such gas would be included within Eligible Margins Costs and in consequence be invoiced to Users to the same timescale as any other Daily Margins Recovery Amount. This is consistent with cost recovery in respect of Storage Facilities.

For Constrained Storage, it is proposed that Transco would not have the entitlement to require users of the LNG terminal to nominate gas for withdrawal but the Top-up Manager

would secure the availability of gas for delivery at that System Entry Point when required for the purpose of Transmission Support. The cost of such gas would be included within Top-up Costs.

2. Transco's Opinion

Implementation of this Proposal would permit the Isle of Grain Importation Facility to provide a Transmission Support function similar to the Constrained Storage service presently provided at the Isle of Grain Storage Facility. This would reflect the fact that an importer would hold all Isle of Grain Importation Facility Capacity and in consequence neither Transco nor any party other than the Isle of Grain capacity holders would be able to hold any of that capacity. Similarly, implementation would permit the LNG Importation Facility to provide an Operating Margins service.

In respect of Top-up a service has been agreed with the Isle of Grain capacity holders to allow for the postponement of gas deliveries from the LNG Importation Facility of a withdrawal equal to the Top-up Manager's requirements. The Top-up Manager would be able to request delivery of the capacity holder's retained LNG at a time the Top-up Manager's choosing, before the unloading of the next tanker, or the capacity holder could buy out its obligation to deliver this gas to the Top-up Manager.

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

Implementation of this Proposal would facilitate the introduction of new supplies of gas into the System at Isle of Grain whilst retaining access to Operating Margins; Top-up and Transmission Support services following its conversion into an LNG Importation Facility. This would potentially increase the range of supplies available to Shippers. This would be consistent with the securing of 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:**

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

b) development and capital cost and operating cost implications:

No such cost implications have been identified.

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:

Not applicable.

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

Transco is not aware of any consequences 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 does not consider that the level of contractual risk would be materially affected.

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

The computer systems of Transco and Users would have to recognise the change of status of Isle of Grain from a Storage Facility to a LNG Importation Facility. Transco does not believe that the consequent impact on the systems would be major.

7. The implications of implementing the Modification Proposal for Users

It is proposed that Isle of Grain would cease to be a Storage Facility, and references to it being a Storage Facility would be removed from Network Code, not earlier than the date notified by TLNGS in the 2004/5 LNG Annual Storage Invitation, the “Effective Date”. From this date, Users would no longer be able to obtain storage services from Isle of Grain but would be able to contract for gas at the additional System Entry Point created or, potentially purchase that gas at the NBP.

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

Transco believes that by changing the status of Isle of Grain from a Storage Facility to a LNG Importation Facility might result in a more competitive gas market which would benefit the various industry stakeholders.

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 has been prepared on the assumption that a satisfactory resolution of any legislative or regulatory issues would be achieved arising from the proposed change of status from a Storage Facility to a LNG Importation Facility.

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

Advantage:

- Implementation of this Proposal would facilitate the introduction of new supplies of gas into the System at Isle of Grain and potentially increase the range of supplies available to Shippers.

Disadvantage:

- From the effective date, Users would no longer be able to book storage services at Isle of Grain.

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

Six representations were received to the Proposal:

Respondent	Response
BG Trading (BGT)	Against
BP Gas (BP)	In support
Centrica Storage Ltd (CSL)	Against
ExxonMobil (Exx)	In support
RWE Innogy (Inn)	Against
SSE Energy Supply Ltd (SSE)	Against

The following issues were raised:

Access to Gas Delivery Service

BGT requested clarification of Ofgem's view on "whether or not it is appropriate that a gas delivery service is made available only to the Monopolist Transporter and not in an even handed manner to other industry players." BGT also enquired "whether Ofgem will be able to make a decision on the modifications when the EU Directive Legislation has not yet been enacted into UK Legislation". BP believed it was important "that a clear distinction is made between the element of the terminal capacity set aside for system support purpose, such as the above to maintain the integrity of Transco's safety case, and the other elements of the

terminal capacity allocated to User(s). Such a distinction will help ensure that appropriate levels of capacity are 'reserved' for system support requirements." CSL whilst acknowledging that this was not a Network Code matter requested clarification from Ofgem "whether any service made available to NGT by the Grain capacity holder is to, or should be, made available even-handedly to other interested parties. We consider that a 'call option' such as NGT has specified may be attractive to others." Inn, whilst not supporting implementation, expressed no objection to "Transco continuing to contract for an Operating Margins and/or transmission support service". SSE referred to the availability of Isle of Grain to "Transco and not to other Users" and questioned "how this fits in with third party access rights under the Gas Act".

Transco Response

Transco would concur that access to gas delivery services at Isle of Grain is not a Network Code matter. However, within the context of its Safety Case, whilst Transco needs to continue contracting for Operating Margins, Transmission Support and Top-up services at Isle of Grain, the Network Code has to contain certain provisions so that such contracts can be facilitated. In consequence, Transco made these services a condition of sale of the facility knowing that they would be essential to allow conversion to a LNG Importation Facility. Whilst Transco has agreed commercial arrangements with the Isle of Grain capacity holders for these services, it would have no objection if any User wished to enter into similar arrangements in respect of a future LNG Importation Facility. Transco notes BGT's request for clarity from Ofgem in respect of any Gas Act or EU Directives but expects that such considerations would influence Ofgem's decision on this Proposal.

Status of Isle of Grain

BGT noted that specific mention was made to Isle of Grain and questioned whether it was appropriate "to have such specific references, particularly where there has been no clear justification for doing so." and believed that "a more generic drafting is required." CSL questioned whether it was appropriate "for the Isle of Grain LNG facility to have unique status within Transco's Network Code. We accept that there may at present be transmission support issues relating to Grain which are unlikely to apply to other LNG Importation Terminals as far as can be foreseen. However we believe the appropriate treatment is to have rules which can in principle apply to each LNG Importation Terminal. Exx acknowledged that if this Proposal were implemented there would be "no obligation for other LNG Terminal Operators to provide flexibility services to Transco. The facilities associated with alternative LNG Terminals, as well as the supporting contractual LNG and gas sales arrangements, will determine the extent to which such services, if any, might be available as a competing alternative for Transco." SSE expressed the understanding that "proposed changes would ensure other importation terminals could be able to compete or offer similar services on a similar basis in future, yet certain parts of the legal text refer specifically to Isle of Grain." SSE also raised the concern regarding Top-up arrangements expressed in Ofgem's decision letter on Modification Proposals 0659 and 0660 and suggested that the role of Isle of Grain and other importation terminals should be included in any Top-up review.

Transco Response

Transco believes that it is necessary to continue a Top-up service at the Isle of Grain in order to retain the Safety Case elements of the status quo. However, Transco would confirm that the intention of the Proposal is that Operating Margins and Transmission Support Services could be provided at any LNG Importation Facility and that only the Top-up aspect would be unique to Isle of Grain. Whilst the aspect of a potential Top-up review was not being considered when this Proposal was raised, the suggestion by Ofgem of a Top-up Review in its decision letter on Modification Proposals 0659 and 0660 is supported by Transco. Expanding Top-up to other LNG Importation Facilities, as suggested by some respondents, could then be revisited once any review of Top-up was complete.

Nature of Transco Service Arrangements

Innogy commented that "we have no objection to Transco's proposal to remove the Isle of Grain from the list of LNG Storage Facilities and Constrained Facilities per se, or with Transco continuing to contract for an Operating Margins and/or transmission support service there....." BGT noted that "the proposed arrangements for Transco's procurement of Operating Margins (OM) and Top-up Gas (i.e the gas delivery service) represents a significant departure from the current arrangements" and maintained that it had not been demonstrated "that the current method of procuring Operating Margins and Top-up needs to be changed." BGT also suggested that "any changes to Transco's methods of sourcing OM and Top-up should only be considered after a thorough and transparent review has been carried out. Any changes should only be allowed where it can be demonstrated to improve the efficient and economic operation of Transco's system." BGT also made a similar point in respect of Transmission Support. SSE believed that "further clarification is also required in relation to Transco's requirements for Top-Up and Operating Margins gas, what if any other options have been considered and how best these requirement could be met whilst maintaining efficient and transparent arrangements, facilitating competition and avoiding discrimination."

Transco Response

Following conversion, the facility, would no longer be a Storage Facility with the ability to inject, store and withdrawn gas from the System. It would only be possible to restock the facility from a sea-going tanker. Furthermore, all the capacity would have been sold to an importer (a necessity because of the limited capacity of the facility and the need to tightly control deliveries to and from the facility). Thus, Transco's procurement of OM, Top-up and Transmission Support gas would have to change as there would be no ability for Transco to own capacity. In addition Transco would not be able to purchase gas from Shippers at the NBP for the purpose of injection or be able to purchase LNG in store. Any potential price risk to Shippers would be mitigated by the development of the predefined market related price for OM and Transmission Support gas deliveries. Consequently, Transco believes that furtherance of the relevant objectives would best be served by allowing flexibility in the way that OM and Transmission Support services were provided. In addition, under the present Network Code arrangements, it is possible to constrain 100% of the gas in constrained storage facilities for Transmission Support purposes. The continuation of this arrangement would be operationally incompatible with the change of status to a LNG Importation Facility. During Workstream discussions, Transco indicated a willingness to consider any further suggestions of flexibility of service provision but notes that no such suggestions were

contained within the representations. On the particular issue of requirements definition, the Network Code requires Transco to set out its requirements for Constrained Storage and OM and publish the underlying assumptions behind these OM requirements. Implementation of this Modification Proposal would not remove this requirement, albeit that there would be no concept of Constrained Storage at Isle of Grain.

Cost of Operating Margins Capacity and Gas

BGT noted that "the proposed methodology for pricing the cost of Operating Margins gas is likely to increase the costs of OM. Currently OM gas is procured during the summer when the cost of gas is lower. Under the proposed arrangements Operating Margins Gas would be purchased from LNG import facilities when it is required via a gas delivery service. OM gas is therefore more likely to be purchased when gas prices are higher and as a result the cost of OM will increase." BGT also queried whether this was consistent with facilitating the achievement of the relevant objectives and contended that "Transco would gain from having their capacity requirements reduced. Shippers on the other hand will find themselves funding an increased portion of OM costs." CSL stated that the proposed arrangements for OM were "likely to tilt the balance in respect of OM costs in favour of NGT and against shippers' interests.....the principle underpinning OM costs at present is that "gas costs" are borne by shippers and "capacity costs" are borne by NGT. It appears that NGT have specified, as a condition of selling capacity at Grain, that the buyer will provide a service which can be argued to have zero capacity costs and which will have high gas costs reflecting the "optionality" to be provided. Based on the discussions to date we are unaware of any proposal to alter the OM cost allocation principles which might spread the costs from services from Grain in a manner which would more closely reflect current practice. If this remains the case, NGT would have a considerable incentive to focus on Grain the OM requirement which is not location-specific."

Transco Response

As part of the commercial arrangements relating to the service, Transco would have to pay the service provider a monthly service fee to cover the "optionality" referred to above. Transco believes that a structure incorporating a service fee would not be dissimilar to one where storage capacity is purchased. In particular, as with storage capacity, the service fee would secure the option of withdrawing gas at a defined rate but would be payable whether that withdrawal took place or not. Whilst the contract agreements have been commercially and therefore confidentially negotiated, Transco would be prepared to discuss these with Ofgem. Such discussions would, Transco believes, also assist in allaying User's concerns that the proportion of total OM costs to be borne by Users would be materially altered by implementation of this Proposal. The fee was negotiated on an arms length basis and is representative of the opportunity cost to the importer of providing the service. Because the value of importation capacity is higher than that of existing storage capacity, so the service fee to Transco, on a pro-rata basis, would be higher. The existing arrangements for cost of gas seek to safeguard the principles of pass-through and as such are based on the price of gas at the time of procurement. Thus for a gas delivery service, it is proposed that the gas price would be based on NBP prices for that period of the year ie a cost reflective price which would be similar to the price paid currently in winter when Transco uses OM and tenders for its replenishment from Shippers' LNG in store. In addition to the above, it is important to

note that following conversion Isle of Grain would be expected to flow baseload and to the extent it is flowing gas from that location there would be no ability/requirement for OM gas as well. Lower OM requirements would clearly reduce any perceived Shipper exposure to market-related prices.

Security of Supply

SSE referred to considerations of the world wide market and concluded from this that "the certainty or control of gas supplies and storage stocks is likely to be much less certain than for conventional storage or beach supplies. Given that Transco's concerns for Top-up this winter were driven by lack of certainty regarding existing offshore supplies, it seems strange that Transco, whilst planning to withdraw the Isle of Grain storage facility, are now seeking to replace it with something much less appropriate or efficient." SSE also referred to the potential requirement for the Top-up Manager to withdraw gas in order to accommodate a LNG ship cargo and stated that this "could be at short notice and relatively frequently. The cost would be included in top-up costs. We cannot see how this can be efficient or provide the level of security that would normally be expected." Inn commented that "If on the one hand gas supplied to the Isle of Grain is to be included in the calculation to determine maximum daily supply, it cannot on the other hand be treated as gas that needs to be kept in storage (by way of counter injection nominations) to provide for a 1 in 50 winter requirement, as this is double counting the attributes of that gas which could be misleading from a security of supply perspective."

Transco Response

In terms of security of supply planning prior to the winter, Transco confirms that it intends to include Isle of Grain as part of the maximum daily supply. It believes that the acknowledged changes in the LNG market do not justify amending this assumption. Transco has also demonstrated that, compared to the status quo, there would be a security of supply benefit even if as few as two ships' cargoes were unloaded within the Winter Period. It is envisaged that the Isle of Grain's Top-up contribution would only be required to provide the deliverability associated with the most severe days of the severe winter demand curve. Transco acknowledges that potentially high Top-up costs might result from a set of counter nomination/withdrawal cycles but costs would be taken into account when decisions were taken at which sites this mechanism would apply. In a winter where a Top-up requirement has been identified, market conditions would incentivise the importer to make regular and timely deliveries, thereby limiting the number of occasions when Transco may need to use the Top-up service.

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 requirement to implement the Modification Proposal in order 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

Transco has raised this Proposal in order to retain conformity to Transco's Safety Case following conversion into an LNG Importation Facility.

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

Minor changes have been identified within Transco Systems.

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

Transco proposes that this Modification Proposal be implemented no later than 1 January 2005.

16. Recommendation concerning the implementation of the Modification Proposal

Transco believes that 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 K

Amend paragraph 1.1.1 to read as follows:-

“1.1.1 Transco shall be entitled:-

- (a) to enter into arrangements (“Operating Margins Capacity Arrangements”) pursuant to which Transco will hold Operating Margins Capacity in Operating Margins Facilities, and may input (whether by injection, unloading of sea-going vessels or otherwise) gas into, hold gas in, and withdraw gas from such facilities; and
- (b) to enter into arrangements (“Operating Margins Gas Delivery Arrangements”) with third parties which hold Operating Margins Capacity in Operating Margins Facilities, for such third parties to input (whether by injection, unloading of sea-going vessels or otherwise) gas into, hold gas in, and withdraw gas from such facilities for delivery to Transco in such quantities and at such times as Transco and the third party in question may agree;

in each case subject to and in accordance with this Section K, for the purpose of meeting the requirements (“Operating Margins Requirements”) set out in paragraph 2.1.”

Amend paragraph 1.1.2 to read as follows:-

“1.1.2:

- (a);
- (b) references to “**Operating Margins**” are to the Operating Margins Capacity and gas which Transco holds in storage at Operating Margins Facilities, or to the gas in storage at Operating Margins Facilities which Transco can call on pursuant to Operating Margins Gas Delivery Arrangements, in any Storage Year for Operating Margins Purposes;
- (c) the withdrawal of gas from an Operating Margins Facility in which Transco holds Operating Margins;
- (d) references to “Operating Margins Capacity” are references to Storage Capacity and LNG Importation Capacity;
- (e) references to “Operating Margins Facilities” are references to Storage Facilities and LNG Importation Facilities;
- (f) references to “Operating Margins Space” are references to Storage Space and LNG Importation Space;

- (g) references to “Operating Margins Injectability” are references to Storage Injectability and LNG Importation Injectability;
- (h) references to “Operating Margins Deliverability” are references to Storage Deliverability and LNG Importation Deliverability; and
- (i) references to “Operating Margins Facility Terms” are references to Storage Terms and LNG Importation Terms.”

Amend the heading of paragraph 1.2 to read as follows:-

“1.2 Transco as Storage User or LNG Importation User”

Amend paragraph 1.2.1 to read as follows:-

- “1.2.1 entitled to be a Storage User or a LNG Importation User (as the case may be) in respect of Operating Margins Facilities for Operating Margins Purposes, and in particular Transco:
- (a) may apply for and hold Operating Margins Capacity in, and inject and withdraw gas to and from Operating Margins Facilities; and
 - (b) may the relevant Operating Margins Facility Terms.”

Amend paragraph 1.3.2 to read as follows:-

- “1.3.2 In particular, on any Day on which Transco withdraws gas from an Operating Margins Facility for delivery to the System (pursuant to Operating Margins Capacity Arrangements) or has gas delivered to it by a third party (pursuant to Operating Margins Gas Delivery Arrangements) for Operating Margins Purposes the quantity of gas so withdrawn or delivered, and will receive Daily Imbalance Charges accordingly.”

Amend paragraph 2.2.1(c) to read as follows:-

- “(c) on the basis of the amounts under paragraphs (i) and (ii), the aggregate amounts of Operating Margins Space and Operating Margins Deliverability required for Operating Margins Requirements (irrespective of whether such Operating Margins Space and Operating Margins Deliverability is held or is to be held by Transco pursuant to Operating Margins Capacity Arrangements or by a third party pursuant to Operating Margins Gas Delivery Arrangements);”

Amend paragraph 2.2.1(d) to read as follows:-

- “(d) such profiles for all Operating Margins Facilities.”

Amend paragraph 2.2.2(b) to read as follows:-

“(b)insufficient gas-in-storage and/or Operating Margins Deliverability for such requirements;”

Amend paragraph 2.2.2(c) to read as follows:-

“(c)of each Operating Margins Facility;”

Amend paragraph 2.2.3 to read as follows:-

“2.2.3 Transco will, not later than 1st March in each Storage Year, provide to Users and the Director a statement (an “Operating Margins Statement”) containing details of:-

(a)

(b)

Amend paragraph 2.2.4 to read as follows:-

“2.2.4 but (provided that Transco has entered into Operating Margins Capacity Arrangements and/or Operating Margins Gas Delivery Arrangements on the basis of such assumptions and estimates,:

(a) gas-in-storage and/or the Operating Margins Deliverability held by, or available to, Transco pursuant to Operating Margins Capacity Arrangements and/or Operating Margins Gas Delivery Arrangements for Operating Margins Purposes, and

(b)

Amend paragraph 2.2.5 to read as follows:-

“2.2.5 Transco shall be entitled to :-

(a) acquire Operating Margins Capacity and procure and inject (into Operating Margins Facilities) gas for Operating Margins Requirements in accordance with paragraphs 3.1 to 3.9; and

(b) enter into Operating Margins Gas Delivery Arrangements, and accept delivery of gas from Storage Facilities and LNG Importation Facilities for Operating Margins Requirements in accordance with paragraphs 3.10 to 3.11.

For the avoidance of doubt, nothing shall prevent Transco from entering into Operating Margins Capacity Arrangements and Operating Margins Gas Delivery Arrangements in respect of the same Operating Margins Facility for the same or an overlapping period.

Add new paragraphs 2.2.6 to 2.2.8 as follows:-

“2.2.6 Transco will in or before the Storage Year enter into such Operating Margins Capacity Arrangements and/or Operating Margins Gas Delivery Arrangements as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability of gas, the need to secure injection in accordance with the provisions of the relevant Operating Margins Facility Terms, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section K.

2.2.7 Where Transco has entered into an Operating Margins Capacity Arrangement, nothing shall (subject to the relevant Storage Terms or LNG Importation Terms) prevent Transco terminating such Operating Margins Capacity Arrangement during a Storage Year, disposing of the gas-in-storage at the time of such termination (provided always that such disposal is carried out in accordance with this Section K as if such gas was Residual Surplus Gas), and entering into Operating Margins Gas Delivery Arrangements in respect of such quantities of gas as Transco may determine at the relevant time.

2.2.8 Where Transco has entered into an Operating Margins Gas Delivery Arrangement, nothing shall (subject to the relevant Storage Terms or LNG Importation Terms) prevent Transco terminating such Operating Margins Gas Delivery Arrangement during a Storage Year, entering into Operating Margins Capacity Arrangements in respect of such quantities of Operating Margins Capacity as Transco may determine at the relevant time, and procuring such amounts of gas as is required by Transco to fill the Operating Margins Space forming part of the Operating Margins Capacity Service (provided always that such procurement is carried out in accordance with this Section K).”

Amend paragraph 2.3.1 to read as follows:-

“2.3.1 (in such Operating Margins Facility or Facilities”

Amend the heading of paragraph 3 to read as follows:-

“3. CAPACITY TRANSFERS, PROCUREMENT AND INJECTION”

Add the following as a new paragraph after the heading for paragraph 3 but prior to the heading for paragraph 3.1:-

“Paragraphs 3.1 to 3.9 shall apply in respect of Operating Margins Capacity Arrangements entered into by Transco, and Operating Margins held by Transco pursuant to such Operating Margins Capacity Arrangements. Paragraphs 3.10 to 3.11 shall apply in respect of Operating Margins Gas Delivery Arrangements entered into by Transco, and Operating Margins held by Transco pursuant to such Operating Margins Gas Delivery Arrangements.”

Amend the heading of paragraph 3.1 to read as follows:-

“3.1 Capacity and pre-Storage Year transfers (Operating Margins Capacity Arrangements)”

Amend paragraph 3.1.1 to read as follows:-

“3.1.1 Transco may apply for and be registered as holding Operating Margins Capacity in respect of the amounts not exceeding (when aggregated with those amounts subject to Operating Margins Gas Delivery Arrangements) the amounts estimated for Operating Margins Purposes under paragraph 2.2.1(iii), together with such amounts of Operating Margins Injectability as Transco may deem necessary.”

Amend paragraph 3.1.2 to read as follows:-

“3.1.2 in respect of each Operating Margins Facility, estimate:

- (a) by each Relevant System Manager in the Operating Margins Facility at the
- (b) exceeds the amount of Operating Margins Space that in that Operating Margins Facility

Amend paragraph 3.1.3 to read as follows

“3.1.3 In respect of an Operating Margins Facility

- (a); or
- (b) between relevant Operating Margins Facilities; or
- (c) withdrawal from a relevant Operating Margins Facility

Amend the heading of paragraph 3.2 to read as follows:-

“3.2 Start of Storage Year gas transfers (Operating Margins Capacity Arrangements)”

Amend paragraph 3.2.1 to read as follows:-

“3.2.1 At the start of each Storage Year Transco will determine, in respect of each Storage Facility and LNG Importation Facility:

- (a)
- (b) exceeds the amount of Storage Space or LNG Importation Space held for the Storage Year in that Storage Facility or LNG Importation Facility by that Relevant System Manager; and
- (c) is less than the amount of Storage Space or LNG Importation Space held for the Storage Year in that Storage Facility or LNG Importation Facility by that Relevant System Manager.”

Amend paragraph 3.2.2 to read as follows:-

“3.2.2 Subject to the relevant Storage Terms or LNG Importation Terms, a transferor

Amend paragraph 3.2.3 to read as follows:-

“3.2.3 Where in relation to a Storage Facility or an LNG Importation Facility there is

Amend paragraph 3.2.4 to read as follows:-

“3.2.4

- (a) for each Storage Facility and LNG Importation Facility (a "**surplus**" Storage Facility or LNG Importation Facility) whether.....; and
- (b) for each Storage Facility and LNG Importation Facility (a "**deficit**" Storage Facility and LNG Importation Facility) whether.....”

Amend paragraph 3.2.5 to read as follows:-

“3.2.5 in respect of any deficit Storage Facility or LNG Importation Facility by arranging for the withdrawal from a surplus Storage Facility or LNG Importation Facility and injection into a deficit Storage Facility or LNG Importation Facility in the relevant

Amend paragraph 3.2.6(b) to read as follows:-

“(b) references to the amount of Storage Space or LNG Importation Space held by,”

Amend paragraph 3.2.7 to read as follows:-

“3.2.7

- (a) "**Winter Carry-Across Gas**" means gas withdrawn from one Storage Facility or LNG Importation Facility byanother Storage Facility or LNG Importation Facility by the,
- (b) a "**Winter Storage Gas Transfer**" means a Storage Gas Transfer in respect of a Storage Facility or LNG Importation Facility made by

Amend the heading of paragraph 3.3 to read as follows:-

“**3.3 Disposal of residual gas (Operating Margins Capacity Arrangements)**”

Amend paragraph 3.3.1 to read as follows:-

“3.3.1

- (a)System Manager's Relevant Residual Gas in a Storage Facility or LNG Importation Facility under paragraphs 3.1 and/or 3.2 exceeds the Storage Space or LNG Importation Space held by

- (b)
- (i); or
- (ii) a relevant Storage Facility or LNG Importation Facility
.....”

Amend paragraph 3.3.2 to read as follows:-

“3.3.2 Residual Surplus Gas in each relevant Storage Facility or LNG Importation Facility by

- (a) Surplus Gas in each Storage Facility or LNG Importation Facility and invitingResidual Surplus Gas in each Storage Facility or LNG Importation Facility;
- (b)
- (c)
- (d)
- (e)
- (f)
 - (i)
 - (ii) in more than one Storage Facility or LNG Importation Facility, at the bidding User's option)
- (g) Surplus Gas at a relevant Storage Facility or LNG Importation Facility in excess of the amount of Residual Surplus Gas at such relevant Storage Facility or LNG Importation Facility);
- (h)”

Amend paragraph 3.3.3 to read as follows:-

“3.3.3 A Relevant System Manager will not transfer or surrender Storage Capacity or LNG Importation Capacity when making Residual Gas Transfers in respect of Residual Surplus Gas.”

Amend paragraph 3.3.5 to read as follows:-

“3.3.5(including costs incurred by reason of having gas-in-storage in excess of its Storage Space or LNG Importation Space)”

Amend paragraph 3.3.6 to read as follows:-

“3.3.6 Where more than one Relevant System Manager holds Residual Surplus Gas in a Storage Facility or LNG Importation Facility,”

Amend the heading of paragraph 3.4 to read as follows:-

“3.4 Treatment of residual gas for Operating Margins Purposes (Operating Margins Capacity Arrangements)”

Amend paragraph 3.4.3 to read as follows:-

“3.4.3 For the purposes of this Section K, in respect of each Operating Margins Facility the

Amend the heading of paragraph 3.5 to read as follows:-

“3.5 Procurement (Operating Margins Capacity Arrangements)”

Amend paragraph 3.5.1 to read as follows:-

“3.5.1Carry-over Margins Gas) for injection into the Operating Margins Space held by it pursuant to in accordance with the provisions of the relevant Operating Margins Facility Terms,”

Amend the heading of paragraph 3.6 to read as follows:-

“3.6 Injection - general (Operating Margins Capacity Arrangements)”

Amend paragraph 3.6 to read as follows:-

“Transco will arrange its injections of gas (in accordance with the relevant Operating Margins Facility Terms) in respect of Operating Margins Space allocated to it under paragraph 3.1:

- (a) the requirement to secure injection of quantities in aggregate equal to its Operating Margins Space;
- (b) the injection rules under the relevant Operating Margins Facility Terms;
- (c); and
- (d)”

Amend the heading of paragraph 3.7 to read as follows:-

“3.7 Additional injection (Operating Margins Capacity Arrangements)”

Amend paragraph 3.7.1 to read as follows:-

“3.7.1Operating Margins Purposes in any Operating Margins Facility is less than the for that Operating Margins Facility (the amount by which it is:

- (a) if and to the extent that any other Operating Margins Facility in which, and/or
- (b) if and to the extent that the Operating Margins Facility is Available, and/or
- (c), and/or
- (d)inject such quantity into the Operating Margins Facility for Operating Margins Purposes.

Amend the heading of paragraph 3.8 to read as follows:-

“3.8 Winter Carry-Across and Winter Storage Gas Transfers (Operating Margins Capacity Arrangements)”

Amend paragraph 3.8.1 to read as follows:-

“3.8.1 or Winter Storage Transfer, an Operating Margins Facility is "Available":

- (a)
- (b); and
- (c)”

Amend the heading of paragraph 3.9 to read as follows:-

“3.9 Transfers of Operating Margins Deliverability (Operating Margins Capacity Arrangements)”

Amend paragraph 3.9 to read as follows:-

“..... or equivalent charges under other Operating Margins Facility Terms in respect of the withdrawal of gas on any Day from an Operating Margins Facility, Transco maysubject to the relevant Operating Margins Facility Terms, a”

Add the following new paragraphs 3.10 and 3.11:-

“3.10 Capacity and volumes (Operating Margins Gas Delivery Arrangements)”

3.10.1 Transco may enter into Operating Margins Gas Delivery Arrangements in respect of the amounts not exceeding (when aggregated with those amounts subject to Operating

Margins Capacity Arrangements) the amounts estimated for Operating Margins Purposes under paragraph 2.2.1(iii).

3.11 Procurement (Operating Margins Gas Delivery Arrangements)

3.11.1 Transco will in or before the Storage Year make such arrangements ("Margins Delivery Procurement Arrangements") for the delivery of gas to it pursuant to paragraph 3.10 as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability of gas, the need to secure delivery in accordance with the provisions of the relevant Operating Margins Facility Terms, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section K.

3.11.2 In particular Transco may (with a view to meeting the objectives in paragraph 3.11.1):

- (a) contract with Users or others for the delivery of gas on such terms (as to price, quantities and times of delivery of gas, payment for gas which it was unable to take, and otherwise) as it shall determine;
- (b) contract for the delivery of gas (as to all or any part of its requirements) under agreement(s) providing for delivery over such period as it may determine, and/or on a spot basis; and
- (c) conduct a tender for the award of a contract under paragraph (b) (the terms of which need not require Transco to accept the lowest priced or any offer where in its reasonable opinion a prudent purchaser in comparable circumstances would not do so).

3.11.3 Transco may procure delivery of gas for Operating Margins Purposes and on behalf of the Top-up Manager and the Shrinkage Provider on an integrated basis; but Transco shall in any event maintain separate records of the quantities of deliveries of gas procured for Operating Margins Purposes and for the Top-up Manager and the Shrinkage Provider."

Amend paragraph 4.2.1 to read as follows:-

"4.2.1 In respect of each Operating Margins Facility "Operating Margins WACOG" is:-

- (a) where Transco has entered into Operating Margins Capacity Arrangements in respect of that Operating Margins Facility, the weighted average cost of gas-in-storage for the time being held by Transco for Operating Margins Purposes pursuant to those Operating Margins Capacity Arrangements in that facility; and
- (b) where Transco has entered into Operating Margins Gas Delivery Arrangements in respect of that Operating Margins Facility, the weighted average cost of gas delivered to Transco for Operating Margins Purposes pursuant to those Operating Margins Gas Delivery Arrangements from that facility."

Amend paragraph 4.2.3 to read as follows:-

“4.2.3 For the purposes of:-

(a) paragraph 4.2.1(a), the Operating Margins WACOG shall be calculated:

- (i) injection on a Day into more than one Operating Margins Facility,
..... into each such Operating Margins Facility); and
- (ii)of such reduction;

(b) paragraph 4.2.1(b), the Operating Margins WACOG shall be calculated in accordance with the principles set out in the relevant Operating Margins Statement.”

Amend paragraph 4.2.4 to read as follows:-

“4.2.4:

- (a);
- (b);
- (c):
 - (i), and
 - (ii);
- (d);
- (e)for injection to Operating Margins Facilities), determined on a daily basis;
- (f);
- (g) the amounts paid or payable by Transco (Margins) by way of injection charges in respect of injection on relevant Days into the relevant Operating Margins Facility;
- (h);
- (i)of Carry-Across Gas from a surplus Operating Margins Facility in relation to which the relevant Operating Margins Facility is the deficit Operating Margins Facility.”

Amend paragraph 4.2.6 to read as follows:-

“4.2.6**WACOG**" is:-

(a) where Transco has entered into Operating Margins Capacity Arrangements, Operating Margins WACOGof the relevant Storage Year; and

- (b) where Transco has entered into Operating Margins Gas Delivery Arrangements, the amount determined in accordance with the principles set out in the relevant Operating Margins Statement.”

Amend paragraph 4.2.7 to read as follows:-

“4.2.7of a surplus or a deficit Operating Margins Facility, gas withdrawn or

Amend paragraph 4.3.2 to read as follows:-

“4.3.2

- (a) the amount of gas withdrawn, or delivered to Transco, from each Operating Margins Facility on the; and
- (b)”

Amend paragraph 4.3.4 to read as follows:-

“4.3.4 The withdrawal of gas from a surplus Operating Margins Facility as

Amend paragraph 4.4.1 to read as follows:-

“4.4.1 For the avoidance of doubt, this paragraph 4.4 applies only to Operating Margins Capacity Arrangements. Following each Storage Year the difference between:

- (a) the aggregate (for each Operating Margins Facility for Operating Margins Purposes) of the quantities of gas:
- (i), and
- (ii) WACOG for the relevant Operating Margins Facility (as at the end of the Storage Year following which such transfers are made), and
- (b);
-”

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Amend paragraph 1.1.1 to read as follows:-

“1.1.1 quantities of gas withdrawn from Storage Facilities by Storage Users, the amounts of gas-in-storage held by Isle of Grain LNG Importation Facility Users, and the quantities of gas withdrawn from the Isle of Grain LNG Importation Facility by Isle of Grain LNG Importation Facility Users, in the circumstances and to the extent set out in this Section P.”

Amend paragraph 1.1.1 to read as follows:-

“1.1.3 Subject to paragraph 1.2.2, the Top-up Manager may enter into arrangements (“Top-up Capacity Arrangements”) pursuant to which it may be a Storage User of Storage Facilities or an Isle of Grain LNG Importation Facility User in accordance with the relevant Storage Terms or LNG Importation Terms; and in particular the Top-up Manager:

- (a) may apply for and hold Storage Capacity or LNG Importation Capacity in, and inject and withdraw gas to and from Storage Facilities or the Isle of Grain LNG Importation Facility,
- (b), and
- (c) may, where appropriate, incur and pay charges in accordance with the relevant Storage Terms or LNG Importation Terms.”

Add a new paragraph 1.1.4 as follows:-

“1.1.4 The Top-up Manager may enter into arrangements (“**Top-up Gas Retention and Delivery Arrangements**”) with one or more Isle of Grain LNG Importation Facility Users pursuant to which such Isle of Grain LNG Importation Facility Users will retain gas-in-storage at the Isle of Grain LNG Importation Facility and will deliver such gas to the Top-up Manager, in each case on the date or dates requested by the Top-up Manager, and in accordance with the terms of the relevant Top-up Gas Retention and Delivery Arrangements.”

Amend paragraph 1.2.3 to read as follows:-

“1.2.3 When

- (a) entering into Facility ; or
- (b) entering into LNG Importation Terms in respect of a LNG Importation Facility;

the Top-up Manager shall endeavour to ensure that such Storage Terms or LNG Importation Terms contain termsenter into Storage Terms or LNG Importation Terms which so any other Storage Terms or LNG Importation Terms to which it is a party not so provide.”

Amend paragraph 1.3.1 to read as follows:-

“1.3.1:

- (a)
- (b)
- (c)
- (d) may make Disposing Trade Nominations in accordance with Section C;

- (e) ____ will make Top-up Market
- (f) will pay and receive; and
- (g) may make System Capacity Trades

Amend paragraph 1.4.1 to read as follows:-

“1.4.1 A Storage Facility in which the Top-Up Manager for the time being holds Storage Capacity or has gas-in-storage, and the Isle of Grain LNG Importation Facility, is a **"Top-up Storage Facility"**.”

Add a new paragraph 1.4.4 as follows:-

“1.4.4 For the purposes of this Section P the Isle of Grain LNG Importation Facility shall be deemed to be a “Short Duration” facility.”

Amend paragraph 1.5.1 to read as follows:-

“1.5.1 under the relevant Storage Connection Agreement. The Top-up Manager shall have access to such details of the use of the Isle of Grain LNG Importation Facility by all Isle of Grain LNG Importation Facility Users as may be provided for under the relevant Network Entry Agreement and/or the relevant Top-up Gas Retention and Delivery Arrangements.”

Add new paragraphs 1.5.4 and 1.5.5 as follows:-

“1.5.4 In particular, the operator of the Isle of Grain LNG Importation Facility will provide to the Top-up Manager:

- (a) where the Top-up Manager so requests, the details of the amounts of aggregate LNG Importation Capacity allocated to Isle of Grain LNG Importation Facility Users for the Storage Year or remaining part of the Storage Year pursuant to applications for LNG Importation Capacity under the relevant LNG Importation Terms;
- (b) where the Top-up Manager so requests, at such frequency as the Top-up Manager requires, details of LNG Importation Users’ aggregate LNG Importation Capacity, injections, withdrawals and gas-in-storage; and
- (c) where the Top-up Manager so requests, details of the Applicable Total Storage Space and the Applicable Total Storage Deliverability.

1.5.5 The operator of the Isle of Grain LNG Importation Facility shall ensure that its LNG Importation Terms permit the disclosure by the operator to the Top-up Manager of the information referred to in paragraph 1.5.4(i) and (ii).”

Amend paragraph 2.1.2(c) to read as follows:-

“(c) the **"Constrained Storage Requirement"** in respect of a Constrained Storage Facility is the amount of Storage Space and/or LNG Importation Space (as shown in the Constrained Storage Statement) which Transco estimates

Amend paragraph 2.2.1 to read as follows:-

“2.2.1 In relation to:-

(a) Storage Facilities and the Isle of Grain LNG Importation Facility (but only where the Top-up Manager has entered, or proposes to enter, into Top-up Capacity Arrangements in respect of the Isle of Grain LNG Importation Facility), then after the operator of the relevant facility has allocated Storage Capacity or LNG Importation Capacity (as the case may be) for a Storage Year to Transco for Operating Margins Purposes (if any) and Storage Users or LNG Importation Users pursuant to the relevant Storage Terms and/or LNG Importation Terms (as the case may be), the Top-up Manager will determine, by not later than 31st May in the relevant Storage Year, on the basis of Storage Capacity and/or LNG Importation Capacity allocated by the operator of each facility to Transco for Operating Margins Purposes (if any) and to Storage Users and/or LNG Importation Users pursuant to the relevant Storage Terms and/or LNG Importation Terms (as the case may be) prior to such date:

(i) **space requirement"):-**

(1) in respect of Storage Facilities, by which, Allocated Storage Space in each Constrained Storage Facility is less than the Constrained Storage Requirement;

(2) in respect of the Isle of Grain LNG Importation Facility, of the Constrained Storage Requirement in respect of the Isle of Grain LNG Importation Facility;

(ii) **deliverability"):-**

(1) in respect of Storage Facilities, of Storage Deliverability;

(2) in respect of the Isle of Grain LNG Importation Facility, of LNG Importation Deliverability specified as such in the Constrained Storage Statement;

(iii)

(iv)

(v) the:

(1) amount (the **"top-up space requirement"**)

- (2) amount (the “**top-up deliverability requirement**”); and
- (3) (the “**top-up flow rate requirement**”),;
- (vi) for each Storage Facility, the sum:
 - (1) (the “**Top-up Space Requirement**”);
 - (2) (the “**Top-up Deliverability Requirement**”) of the top-up constrained deliverability requirement and the top-up deliverability requirement; and
 - (3) (the “**Deliverability Requirement**”) of the top-up constrained deliverability requirement and the top-up flow rate requirement.
- (b) the Isle of Grain LNG Importation Facility (but only where the Top-up Manager has entered, or proposes to enter, into Top-up Gas Retention and Delivery Arrangements in respect of the Isle of Grain LNG Importation Facility), there shall be deemed to be:-
 - (i) a top-up constrained space requirement equal to the Constrained Storage Requirement for that facility, and a top-up space requirement of zero;
 - (ii) a top-up constrained deliverability requirement equal to the amount specified as such in the Constrained Storage Statement, and a top-up deliverability requirement of zero;
 - (iii) a top-up flow rate requirement of zero;
 - (iv) for the Isle of Grain LNG Importation Facility, the sum:
 - (1) (the “**Top-up Space Requirement**”) of the top-up constrained space requirement and the top-up space requirement;
 - (2) (the “**Top-up Deliverability Requirement**”) of the top-up constrained deliverability requirement and the top-up deliverability requirement; and
 - (3) (the “**Deliverability Requirement**”) of the top-up constrained deliverability requirement and the top-up flow rate requirement.”

Amend paragraph 2.2.2 as follows:-

“2.2.2:

- (a) “**Allocated Storage Space**” is:-

- (i) in respect of Storage Facilities, the aggregate amount;
 - (ii) in respect of the Isle of Grain LNG Importation Facility where the Top-up Manager has entered into Top-up Capacity Arrangements, the aggregate amount at 1st May in the relevant Storage Year of LNG Importation Space allocated by the operator of such facility to LNG Importation Users in respect of the Storage Year pursuant to applications, in accordance with the relevant LNG Importation Terms other than to Transco for Operating Margins Purposes;
- (b) **"Allocated Storage Deliverability"** is the sum of:
- (i) in respect of Storage Facilities, the aggregate amount of;
 - (ii)for each such facility; and
 - (iii) in respect of the Isle of Grain LNG Importation Facility where the Top-up Manager has entered into Top-up Capacity Arrangements, the aggregate amount of LNG Importation Deliverability allocated to LNG Importation Users for the Storage Year pursuant to applications under the relevant LNG Importation Terms, other than to Transco for Operating Margins Purposes."

Amend paragraph 2.2.3 to read as follows:-

"2.2.3shall be construed by reference to the Storage Space, LNG Importation Space, Storage Deliverability and LNG Importation Deliverability allocated by Storage Operators to Storage Users or by the operator of the Isle of Grain LNG Importation Facility to Isle of Grain LNG Importation Facility Users for the remaining part of the Storage Year"

Amend paragraph 2.2.4 to read as follows:-

"2.2.4Severe Annual Demand of gas being withdrawn during the Winter Period from each Storage Facility Type. In so allocating characteristics of each Storage Facility (and the Isle of Grain LNG Importation Facility where appropriate) within each such Storage Facility Type."

Amend paragraph 2.2.5 to read as follows:-

2.2.5is registered as holding additional Storage Deliverability or LNG Importation Deliverability in a Storage Facility or in and the Isle of Grain LNG Importation Facility:

- (a) pursuant to an application to the operator of the relevant facility; or
- (b)paragraph 4;

the Deliverability Requirement in respect of the Storage Facility or and the Isle of Grain LNG Importation Facility (as the case may be) shall be reduced from such time by an amount equivalent to the additional Storage Deliverability LNG Importation Deliverability registered as held by the Storage User or Isle of Grain LNG Importation Facility User.”

Amend the heading of paragraph 2.3 to read as follows:-

“2.3 Top-up Storage and LNG Importation Capacity”

Amend paragraph 2.3.1 to read as follows:-

“2.3.1:

- (a); or
- (b)for that facility; or
- (c) where the Top-up Manager has entered into Top-up Capacity Arrangements in respect of the Isle of Grain LNG Importation Facility:-
 - (i) LNG Importation Space in the Isle of Grain LNG Importation Facility equal to the Top-up Space Requirement for that facility; or
 - (ii) LNG Importation Deliverability in the Isle of Grain LNG Importation Facility equal to the Top-up Deliverability Requirement for that facility.”

Amend paragraph 2.3.2 to read as follows:-

“2.3.2 In the event that at the date of a Top-up Manager's application:-

- (a) in relation to Storage Facilities:
 - (i); or
 - (ii)
.....; or
- (b) in relation to the Isle of Grain LNG Importation Facility:
 - (i) the aggregate of the Uncommitted LNG Importation Space is less than the aggregate of the Top-up Space Requirement, for that facility; or
 - (ii) the aggregate of the Uncommitted LNG Importation Deliverability is less than the aggregate of the Top-up Deliverability Requirement, for that facility;

the LNG Importation Space or (as the case may be) LNG Importation Deliverability which the Top-up Manager will be registered as holding under

paragraph 2.3.1 in the Isle of Grain LNG Importation Facility will be equal to the Uncommitted LNG Importation Space or Uncommitted LNG Importation Deliverability.”

Amend paragraph 2.3.3 to read as follows:-

“2.3.3 for Interruptible Storage Space or interruptible LNG Importation Space (as the case may be).”

Add new paragraphs 2.3.5 to 2.3.7 as follows:-

“2.3.5 The Top-up Manager will, no earlier than the start of the Storage Year and no later than 31st October in the Storage Year, advise any Isle of Grain LNG Importation Facility User with whom the Top-up Manager has entered into Top-up Gas Retention and Delivery Arrangements of whether the Top-up Manager believes there may be a Winter Top-up Retention Requirement in the forthcoming Winter Period, and if so the maximum amount (the “Retention Requirement”) of gas which would be subject to such a Winter Top-up Retention Requirement.

2.3.6 The Top-up Manager will, in accordance with the relevant Top-up Gas Retention and Delivery Arrangements, advise any Isle of Grain LNG Importation Facility User with whom the Top-up Manager has entered into such arrangements, the quantities of gas to be subject to such arrangements for the purposes of top-up constrained space requirement purposes and top-up constrained deliverability requirement purposes.

2.3.7 The Top-up Gas Retention and Delivery Arrangements may be integrated with Operating Margins Gas Delivery Arrangements and the arrangements made by the Shrinkage Provider for the purchase of gas.”

Amend paragraph 2.4.1 to read as follows:-

“2.4.1 under paragraphs 2.2.1(a)(iii) to (vi), allocate relevant requirements for Storage Deliverability and Storage Space and LNG Importation Space and LNG Importation Deliverability between Storage Facilities and the Isle of Grain LNG Importation Facility (and thereby select the facilities in which it applies for Storage Capacity and/or LNG Importation Capacity), with a view:

(a); and

(b)in respect of each Storage Facility and the Isle of Grain LNG Importation Facility, with a view Uncommitted Storage Capacity and Uncommitted LNG Importation Capacity in each facility) to its holding in aggregate Storage Capacity and LNG Importation Capacity, as to such remaining amount,

In making such determinations the Top-up Manager may have regard to any relevant specific characteristics of each Storage Facility and the Isle of Grain LNG Importation Facility.”

Amend paragraph 2.4.2 to read as follows:-

“2.4.2 The Top-up Manager may apply for and hold Storage Capacity in a Storage Facility and LNG Importation Capacity in the Isle of Grain LNG Importation Facility in excess of,
.....”

Amend paragraph 2.5.2(b) to read as follows:-

“(b) the amount (if any) of Storage Space or LNG Importation Space allocated to the Top-up Manager for the Storage Year;”

Amend paragraph 2.6.1 to read as follows:-

2.6.1

- (a)for all Storage Facilities and the Isle of Grain LNG Importation Facility (but only where the Top-up Manager has entered, or proposes to enter, into Top-up Capacity Arrangements in respect of the Isle of Grain LNG Importation Facility), and the basis of calculation thereof;
- (b) notify to Users the Storage Capacity held by it in each Storage Facility and the LNG Importation Capacity held by it in the Isle of Grain LNG Importation Facility (but only where the Top-up Manager has entered, or proposes to enter, into Top-up Capacity Arrangements in respect of the Isle of Grain LNG Importation Facility);
- (c)and on the basis of the amounts of Storage Capacity and/or LNG Importation Capacity it was registered

and where during the Storage Year a Storage Facility or the Isle of Grain LNG Importation Facility (but only where the Top-up Manager has entered, or proposes to enter, into Top-up Capacity Arrangements in respect of the Isle of Grain LNG Importation Facility) which was not operational

Amend paragraph 2.6.3 to read as follows:-

“2.6.3 (in respect of any Storage Facility or the Isle of Grain LNG Importation Facility (but only where the Top-up Manager has entered, or proposes to enter, into Top-up Capacity Arrangements in respect of the Isle of Grain LNG Importation Facility)) and the Aggregate Remaining Stored

Amend paragraph 2.7.1 to read as follows:-

“2.7.1 The Top-up Manager will in or before the Storage Year make:-

- (a) such arrangements the Opening Top-up Gas) for injection into the Storage Space and/or LNG Importation Space allocated to it under paragraph 2.3of gas, the need to secure injection in accordance with the relevant Storage Terms and/or LNG Importation Terms, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section P; and
- (b) such arrangements ("Top-up Retention and Delivery Procurement Arrangements") for the retention and subsequent delivery of gas to it from the Isle of Grain LNG Importation Facility pursuant to paragraph 3.4 as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability of gas, the need to secure delivery in accordance with the provisions of the relevant LNG Importation Facility Terms, requirements of flexibility"

Amend paragraph 2.7.2 to read as follows:-

"2.7.2 In particular the Top-up Manager may (with a view to meeting the objectives in paragraph 2.7.1):

- (a) contract with Users or others for the purchase or retention and subsequent delivery of gas on such terms (as to price, quantities and times of delivery of gas, payment for gas which it was unable to take, and otherwise) as it shall determine;
- (b) contract for the purchase or retention and subsequent delivery of gas (as to all or any part of its requirements) under agreement(s) providing for delivery over such period as it may determine, and/or on a spot basis;
- (c)
- (d) make Acquiring Trade Nominations and/or Disposing Trade Nominations on any terms as to payment and quantity;
- (e)
- (f)

Amend paragraph 2.7.3 to read as follows:-

"2.7.3 may be integrated with Margins Delivery Procurement Arrangements and the arrangements made (in accordance with Section N4.2.2) by the Shrinkage Provider for the purchase of gas. In accordance with Section K3.11.3, the Top-up Retention and Delivery Procurement Arrangements may be integrated with Margins Gas Procurement Arrangements"

Amend paragraph 2.7.4 to read as follows:-

“2.7.4under paragraph 2.7.1 on the basis in paragraph 2.7.2(iii) where reasonably feasible”

Amend paragraph 2.8.1 to read as follows:-

“2.8.1:

(a);

(b):

(i):-

(1);

(2) Uncommitted LNG Importation Capacity and (in the opinion of the Top-up Manager) it will be feasible to procure and inject quantities of gas to fill such additional LNG Importation Space;

reviseparagraph (i);

(ii)

(c)with the relevant Storage Terms and/or LNG Importation Terms, surrender Storage Deliverability and/or LNG Importation Deliverability (but without being obliged to surrender Storage Space and/or LNG Importation Space) in an amount

(d)with the relevant Storage Terms and/or the relevant LNG Importation Terms, dispose of the surplus; and

(e)requirement for each Storage Facility or the Isle of Grain LNG Importation Facility subject to the relevant Storage Terms or LNG Importation Terms.”

Add a new paragraph 2.9.4 as follows:-

“2.9.4 Where the Top-up Manager has entered into Top-up Gas Retention and Delivery Arrangements in relation to the Isle of Grain LNG Importation Facility, and the terms of such Top-up Gas Retention and Delivery Arrangements requires the Top-up Manager to take delivery of a certain quantity or certain quantities of gas from the facility at a certain time or time irrespective of whether or not a Top-up Market Offer has been accepted, then the Top-up Manager shall take such action as it shall think fit to dispose of such gas, and any reasonable costs incurred by the Top-up Manager in so doing shall be Top-up Costs for the purposes of this Section P and any revenues received by the Top-up Manager in so doing shall be Top-up Revenues for the purposes of this Section P.”

Add a new paragraph as follows after the heading to paragraph 3 and prior to the heading to paragraph 3.1:-

“Paragraphs 3.1 to 3.8 shall apply to Storage Facilities. Paragraph 3.9 shall apply to the Isle of Grain LNG Importation Facility (but only where the Top-up Manager has entered, or proposes to enter, into Top-up Gas Retention and Delivery Arrangements in respect of the Isle of Grain LNG Importation Facility). Paragraph 3.10 shall apply to the Isle of Grain LNG Importation Facility (but only where the Top-up Manager has entered, or proposes to enter, into Top-up Capacity Arrangements in respect of the Isle of Grain LNG Importation Facility).”

Add new paragraphs 3.9 and 3.10 as follows:-

“3.9 Winter Injection (Top-up Gas Retention and Delivery Arrangements at Isle of Grain LNG Importation Facility)”

3.9.1 The Top-up Manager will immediately after the Output Nomination Time Mod 671 proposes to amend Section P3.4.1 by replacing “immediately after the Output Nomination Time” with “as soon as possible after 18.00 hours on the Preceding Day”. If Mod 671 is implemented, the wording of Section P3.9.1 should also be amended to be consistent with the modified Section P3.4.1. **determine in respect of each Day in the Winter Period, subject to paragraph 3.9.6, in relation to the Isle of Grain LNG Importation Facility whether, and if so the amount (the “Winter Top-up Retention Requirement”) by which, the Retention Requirement exceeds the Remaining Gas-in-Storage in the facility.**

3.9.2 For the purposes of paragraph 3.9.1, in respect of a Day in the Winter Period **“Remaining Gas-in-Storage”** is the aggregate amount of gas-in-storage in the Isle of Grain LNG Importation Facility held by LNG Importation Users (and the Top-up Manager other than gas-in-storage held by Transco for Operating Margin Purposes after taking account of Nomination Quantities under initial nominations to withdraw gas from the facility made by LNG Importation Users for the Day.

3.9.3 Subject to paragraph 3.9.6, where on any Day the Top-Up Manager determines that there is a Winter Top-up Retention Requirement in respect of the Isle of Grain LNG Importation Facility, the Top-up Manager will, but only to the extent to which Isle of Grain LNG Importation Facility Users are withdrawing gas from the Isle of Grain LNG Importation Facility on that Day, require by notice (**“Top-up Retention Nomination”**) to any person with whom Transco has Top-up Gas Retention and Delivery Arrangements that one or more Isle of Grain LNG Importation Facility Users cease withdrawing gas from the facility and retain such gas in the facility in accordance with paragraph 3.9.4.

3.9.4 The quantities under any Top-up Retention Nomination made by the Top-up Manager under paragraph 3.9.3 will be for amount(s) not in aggregate exceeding the amount of the Winter Top-up Retention Requirement, or such lesser amount as may be specified in the Top-up Gas Retention and Delivery Arrangements.

3.9.5 Where, in respect of a Day in the Winter Period, Input Nominations made in respect of the System Entry Point(s) relating to the Isle of Grain LNG Importation Facility are revised (by way of increase or decrease) by Renominations, the Top-up Manager will endeavour to revise its determination pursuant to paragraph 3.9.1 and accordingly to revise its Top-up Retention Nominations pursuant to paragraph 3.9.3.

3.9.6 Notwithstanding any of the foregoing provisions of this paragraph 3.9, at any time between 1 February and 31 March in a Storage Year, the Winter Top-up Retention Requirement may be reduced in respect of any Day by the Top-up Manager by such amount as shall be determined by the Top-up Manager having regard to information available to it of Forecast Total System Demand and maximum daily supply for the System over the following five Days.

3.10 Winter Injection (Top-up Capacity Arrangements at Isle of Grain LNG Importation Facility)

3.10.1 The Top-up Manager will:-

- (a) enter into such Storage Gas Transfers with any Isle of Grain LNG Importation Facility User; and/or
- (b) make arrangements for the unloading of such LNG sea-going vessels at the Isle of Grain LNG Importation Facility;

as the Top-up Manager may determine in order to satisfy its obligations under this Section P. The costs incurred in so doing shall be Top-up Costs for the purposes of this Section P.”

Re-number existing paragraph 4.1.11 as 4.1.12, and add a new paragraph 4.1.11 as follows:-

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

Amend paragraph 4.1.12 to read as follows:-

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

Amend paragraph 5.1.1 to read as follows:-

“5.1.1 in accordance with the relevant Storage Terms, relevant LNG Importation Terms and Top-up Gas Retention and Delivery Arrangements.”

Amend paragraph 5.2.2 to read as follows:-

“5.2.2or (b)) for a System Entry Point in respect of a Top-up Storage Facility.”

Amend paragraph 5.2.3 to read as follows:-

“5.2.3 withdrawn) in respect of:-

- (a) a Storage Facility or the Isle of Grain Importation Facility (but only where the Top-up Manager has entered, or proposes to enter, into Top-up Capacity Arrangements in respect of the Isle of Grain LNG Importation Facility):
 - (i)
 - (ii) where the Storage Facility or the Isle of Grain LNG Importation Facility is a Constrained Storage
 - (iii)
- (b) the Isle of Grain LNG Importation Facility (but only where the Top-up Manager has entered, or proposes to enter, into Top-up Gas Retention and Delivery Arrangements in respect of the Isle of Grain LNG Importation Facility):
 - (i) if the Top-up Manager does not have, or no longer has, gas held in storage in the Isle of Grain LNG Importation Facility by an Isle of Grain LNG Importation Facility User pursuant to Top-up Gas Retention and Delivery Arrangements;
 - (ii) if the requirement in paragraph 5.2.5 is not satisfied or would cease to be satisfied;
 - (iii) if it is not in operation or ceases to be in operation on the Day.”

Amend paragraph 5.2.4 to read as follows:-

“5.2.4

- (a)
- (b):
 - (i)
 - (ii)
 - (iii) subject to paragraph (d), in respect ofparagraph (i));
 - (iv) in respect of the Isle of Grain LNG Importation Facility:-
 - (1) where the Top-up Manager has entered into Top-up Capacity Arrangements in respect of the Isle of Grain LNG Importation Facility, a rate for the Day equivalent to the greater of the amount by which the Top-up Manager’s gas-in-storage exceeds the applicable Aggregate Weekly Minimum Requirement (for the week

in which the Day in respect of which the Top-up Market Offer is made falls) or 100,000 kWh/n (where n is the number of hours remaining in the Day after the time referred to in paragraph (i));

(2) where the Top-up Manager has entered into Top-up Gas Retention and Delivery Arrangements in respect of the Isle of Grain LNG Importation Facility, a rate for the Day equivalent to the greater of the amount of gas held in store pursuant to such arrangements or the maximum amount of LNG Importation Deliverability specified in such arrangements;

(c)”

Amend paragraph 5.2.5 to read as follows:-

“5.2.5 The requirement referred to in paragraph 5.2.3 (a)(ii) and 5.2.3(b)(ii) is that on each day in each week of the Winter Period the sum of:

(a) the amount of gas-in-storage held by the Top-up Manager in Top-up Storage Facilities (including the Isle of Grain LNG Importation Facility where the Top-up Manager has entered into Top-up Capacity Arrangements in respect of that facility); and

(b) the amount of gas held in the Isle of Grain LNG Importation Facility following Retention Nominations pursuant to Top-up Gas Retention and Delivery Arrangements;

is no less than the applicable Aggregate Weekly Minimum Requirement.”

Amend paragraph 5.3 to read as follows:-

“The Market Offer Price ("**Top-up Market Offer Price**" ("TMOP")) under a Top-up Market Offer shall be:-

(a) in respect of a Top-up Storage Facility (including the Isle of Grain LNG Importation Facility where the Top-up Manager has entered into Top-up Capacity Arrangements in respect of that facility), either the amount (in pence/kWh) determined in respect of the relevant Top-up Facility in accordance with the following formula or 99.9999 pence/kWh whichever is the lesser:

$$TMOP = W + G + E + N \times (C / T)$$

where

W is the unit rate (in pence/kWh) of the charge (if any) payable by the Top-up Manager in respect of withdrawal from the facility on the Gas Flow Day;

E for the relevant Storage Connection Point or System Entry Point;

G;

N;

Cfor all Storage Capacity or LNG Importation Capacity purchased by; and

T is the total quantity (in kWh) of Storage Space or LNG Importation Space purchased by

For thedisposal of Storage Capacity or LNG Importation Capacity by the Top-up Manager

- (b) in respect of the Isle of Grain LNG Importation Facility (but only where the Top-up Manager has entered into Top-up Gas Retention and Delivery Arrangements in respect of that facility), either the amount (in pence/kWh) determined in accordance with the following formula or 99.9999 pence/kWh whichever is the lesser:

$$TMOP = W + G + E + Nx (C / T)$$

where

W is the unit rate (in pence/kWh) specified in the relevant Top-up Gas Retention and Delivery Arrangement in respect of delivery of Top-up gas from the facility on the Gas Flow Day;

E is the unit rate (in pence/kWh) of the System Entry Overrun Charge determined in accordance with Section B2.12.3(b) for the relevant Storage Connection Point;

G is the Top-up WACOG;

N is 20;

C is the total cost (in pence) payable by the Top-up Manager to the relevant Isle of Grain LNG Importation Facility User in respect of the relevant Top-up Gas Retention and Delivery Arrangements in respect of the facility for the Storage Year in question; and

T is the Retention Requirement in respect of the facility for the Winter Period in question.”

Amend paragraph 6.1.1 to read:-

“6.1.1withdrawal of Carry-Across Gas or the delivery of gas to it pursuant to Top-up Gas Retention and Delivery Arrangements;

- (a) under or in respect of the Top-up Gas Procurement Arrangements or the Top-up Gas Retention and Delivery Arrangements;
- (b)
- (c)
- (d) by way of charges payable to the operator of a Top-up Storage Facility in respect of Storage Capacity or LNG Importation Capacity in Top-up Storage Facilities;
- (e) by way of charges payable to the operator of a Top-up Storage Facility in respect of injection to Top-up Storage Facilities;
- (f) by way of charges payable to the operator of a Top-up Storage Facility in respect of withdrawal from Top-up Storage Facilities;
- (g)
- (h)

Amend paragraph 6.1.2(d) to read:-

- “(d) in respect of any nomination to withdraw gas from the relevant facility in respect of”

Amend paragraph 6.1.7 to read:-

“6.1.7or a deficit Storage Facility or LNG Importation Facility (and”

Amend paragraph 6.3.5(b) to read:-

- “(b):

$$(W + G + E) - Q$$

where W, G and E have the meanings under paragraph 5.3(a), and

where 'Q' is

Amend paragraph 6.5.2 to read as follows:-

“6.5.2 In respect of :-

- (a) each Top-up Storage Facility (including the Isle of Grain LNG Importation Facility where the Top-up Manager has entered into Top-up Capacity Arrangements in respect of that facility), in relation toCalculation Date; and
- (b) the Isle of Grain LNG Importation Facility (where the Top-up Manager has entered into Top-up Gas Retention and Delivery Arrangements in respect of that facility),

"Top-up WACOG" is the weighted average cost of gas purchased by the Top-up Manager on the Day the Top-up Manager gave the relevant Retention Nomination."

Amend paragraph 6.5.3 to read as follows:-

"6.5.3;

- (a) a Top-up Storage Facility (including the Isle of Grain LNG Importation Facility where the Top-up Manager has entered into Top-up Capacity Arrangements in respect of that facility) shall be calculated as the relevant costs of the Top-up Manager in accordance with paragraph 6.5.4(a), less theCalculation Date; and
- (b) the Isle of Grain LNG Importation Facility (the Top-up Manager has entered into Top-up Gas Retention and Delivery Arrangements in respect of that facility) shall be calculated as the relevant costs of the Top-up Manager in accordance with paragraph 6.5.4(b), less the sum of the amounts calculated in accordance with paragraph 6.5.6(b), in respect of each Day (a "relevant Day") in the Storage Year up to and including the WACOG Calculation Date, divided by the amount of the gas-in-storage pursuant to Retention Nominations as at the WACOG Calculation Date."

Amend paragraph 6.5.4 to read as follows:-

"6.5.4 In relation to;

- (a) each Top-up Storage Facility (including the Isle of Grain LNG Importation Facility where the Top-up Manager has entered into Top-up Capacity Arrangements in respect of that facility), the relevant costs;
 - (i);
 - (1) the amounts; and
 - (2) the quantityrelevant Storage Facility or LNG Importation Facility is the deficit the surplus Storage Facility or LNG Importation Facility,;
- (b);
- (c);
- (d);
- (e)from a surplus Storage Facility or LNG Importation Facility in relation to which the relevant Storage Facility or LNG Importation Facility is the deficit facility;

- (f)
- (g) the Isle of Grain LNG Importation Facility (where the Top-up Manager has entered into Top-up Gas Retention and Delivery Arrangements in respect of that facility), the relevant costs of the Top-up Manager are the sum of the following amounts:
- (i) the relevant proportions of the amounts payable by the Top-up Manager by way of Transportation Charges in respect of relevant Days (in respect of the delivery of gas to the System at System Entry Points), determined on a daily basis;
 - (ii) the amounts payable by the Top-up Manager by way of Balancing Charges in respect of relevant Days;
 - (iii) the amounts paid or payable by the Top-up Manager by way of delivery charges in respect of delivery on relevant Days of gas to it;
 - (iv) the aggregate amounts payable by the Top-up Manager in respect of the purchase of gas on a Day when a Retention Nomination was issued, less any amounts receivable by the Top-up Manager in respect of gas delivered by the Top-up Manager to the System."

Amend paragraph 6.5.5 to read as follows:-

“6.5.5 For the purposes of paragraph 6.5.4(a) "**relevant proportion**" in respect of a Top-up Storage Facility is the quantity injected by the Top-up Manager into that Storage Facility or LNG Importation Facility divided by the aggregate of the quantity injected by the Top-up Manager into all Storage Facilities and the Isle of Grain LNG Importation Facility on the relevant Day.”

Amend paragraph 6.5.6 to read as follows:-

“6.5.6 The amount to be deducted in accordance with paragraph 6.5.3(a) is the quantity of gas-in-storage subject to

Amend paragraph 6.6.2 to read as follows:-

“6.6.2 For the purposes of this paragraph 6 in respect of each Storage Year:-

(a) for each Top-up Storage Facility (including the Isle of Grain LNG Importation Facility where the Top-up Manager has entered into Top-up Capacity Arrangements in respect of that facility):

- (i) the "**Closing Top-up Adjustment Amount**" is the Provisional Closing Top-up Amount less the Out-Turn Closing Top-up Amount;
- (ii) the "**Out-turn Closing Top-up Amount**" is the sum of:

(1) the amounts (if any) paid by Transco (for Operating Margins Purposes) to the Top-up Manager in respect of Storage Gas Transfers made pursuant to Section K3.2;

(2) the quantity of Carry-over Top-up Gas, and the quantity of Carry-Across Gas (in relation to which the facility is the surplus Storage Facility or LNG Importation Facility), in each case multiplied by Top-up WACOG as at the last Day of such Storage Year; and

(3) the amounts received by the Top-up Manager pursuant to a tender under Section K3.3 in respect of the disposal of Residual Surplus Gas (or Further Residual Surplus Gas) less amounts received (if any) pursuant to any adjustment under Section K3.3.2(f)(ii) to the bid prices payable by Storage Users as a result of the Top-Up Manager (or Transco on its behalf) incurring withdrawal charges or other costs in connection with Residual Gas Transfers;

in or for the following Storage Year in respect of the Top-up Storage Facility;

(b) for the Isle of Grain LNG Importation Facility (where the Top-up Manager has entered into Top-up Gas Retention and Delivery Arrangements in respect of that facility) the "Closing Top-up Adjustment Amount" is the total amounts payable by the Top-up Manager pursuant to the relevant Top-up Gas Retention and Delivery Arrangements less the total amounts received by the Top-up Manager in respect of gas delivered to it from the Isle of Grain LNG Importation Facility pursuant to the relevant Top-up Gas Retention and Delivery Arrangements."

Section R

Amend the heading of Section R to read as follows:-

"STORAGE AND LNG IMPORTATION"

Amend paragraph 1.1.1 to read as follows:-

"1.1.1withdrawn from Storage Facilities and LNG Importation Facilities to the System, and otherwise relating to Storage Connection Points, Storage Facilities and LNG Importation Facilities."

Amend the heading of paragraph 1.2 to read as follows:-

"1.2 Storage Facilities and LNG Importation Facilities"

Add new paragraph 1.2.1(g) as follows:-

"(g) an "LNG Importation Facility" is a facility:

(i) which is directly connected to the System;

- (ii) whose principal purpose is the receipt of liquefied gas from a sea going vessel, the storage of such liquefied gas and the regassification of such gas for delivery to the System;
- (iii) from which stored gas may be delivered to the System whether or not gas withdrawn from such storage may also be delivered other than to the System.”

Amend the heading to paragraph 1.5 to read as follows:-

“1.5 References to storage and LNG importation services”

Amend paragraph 1.5.1 to read as follows:-

“1.5.1:

- (a)
- (b)
- (c):
 - (i)
 - (ii)
- (d):
 - (i)
 - (ii)
 - (iii) a LNG Importation Facility, the maximum quantity of gas that the operator of that facility determines can be withdrawn from the facility when full of stored gas;
- (e):
 - (i)
 - (ii) any other Storage Facility, 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;
 - (iii) a LNG Importation Facility, the maximum quantity of gas that the operator of that facility 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 in respect of:-
- (i) a Storage Facility, the maximum quantity;
 - (ii) a LNG Importation Facility, the maximum quantity of gas that the operator of that facility determines can be injected into the facility in a period of 24 hours;
- (g);
- (i);
 - (ii);
- (h);
- (i);
 - (ii);
- (i);
- (i);
 - (ii);
 - (iii) a LNG Importation Facility, is the rate determined in kWh/Day at which a LNG Importation User may inject LNG into the facility as determined in accordance with the relevant LNG Importation Terms.
- (j);
- (i);
 - (ii);
- (k);
- (i);
 - (ii);
- (l) an "LNG Importation User" is any person (including the operator of the LNG Importation Facility), whether or not such a person is a User, which utilises or is entitled to utilise the services of the LNG Importation Facility;
- (m) "LNG Importation Terms" means the terms and conditions on and subject to which the operator of an LNG Importation Facility permits LNG Importation Users

or a particular LNG Importation User to utilise the services of the LNG Importation Facility;

(n) “**Isle of Grain LNG Importation Facility**” is the LNG Importation Facility located at the Isle of Grain, Rochester, Kent;

(o) “**Isle of Grain LNG Importation Facility User**” is any person (including the operator of the Isle of Grain LNG Importation Facility), whether or not such a person is a User, which utilises or is entitled to utilise the services of the Isle of Grain LNG Importation Facility;

(p) “**Uncommitted**” Storage Space or Storage Deliverability is:-

(i) in respect of a Transco LNG Storage Facility, the Maximum Storage Space or Maximum Storage Deliverability less the aggregate Storage Space or Storage Deliverability at such time registered as held by Users or Transco pursuant to applications, or subject to applications made but not yet approved under Sections K, P and Z;

(ii) in respect of any other Storage Facility, the maximum Storage Space or maximum Storage Deliverability of that facility 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;

(q) “**Uncommitted**” LNG Importation Space or LNG Importation Deliverability is the maximum LNG Importation Space or maximum LNG Importation Deliverability of that facility less the aggregate LNG Importation Space or LNG Importation Deliverability at such time registered as held by LNG Importation Users pursuant to applications, or subject to applications made but not yet approved under the relevant LNG Importation Terms;

(r) “**Applicable Storage Space Charge Rate**” or “**Applicable Storage Deliverability Charge Rate**” respectively is:-

(i) in respect of a Transco LNG Storage Facility, the amount determined in accordance with Section Z2.6.3;

(ii) in respect of any other Storage Facility, the annual rate payable in respect of Storage Space, in pence per kWh of Storage Space, for a Storage Year or (as the case may be) Storage Deliverability, in pence per kWh/Day of Storage Deliverability, for a Storage Year;

(iii) in respect of a LNG Importation Facility, the annual rate payable in respect of LNG Importation Space, in pence per kWh of LNG Importation Space, for a Storage Year or (as the case may be) LNG Importation Deliverability,

in pence per kWh/Day of LNG Importation Deliverability, for a Storage Year;

(s) “Storage Space Charge” is:-

- (i) in respect of a Transco LNG Storage Facility, the amount determined in accordance with Section Z2.6.2(c);
- (ii) in respect of any other Storage Facility, a charge in respect of, and determined by reference to the amount of, a Storage User's Storage Space in a that Storage Facility calculated in accordance with the relevant Storage Terms;
- (iii) in respect of a LNG Importation Facility, a charge in respect of, and determined by reference to the amount of, a LNG Importation User's LNG Importation Space in a that LNG Importation Facility calculated in accordance with the relevant LNG Importation Terms;

(t) “Storage Deliverability Charge” is:-

- (i) in respect of a Transco LNG Storage Facility, the amount determined in accordance with Section Z2.6.2(b);
- (ii) in respect of any other Storage Facility, a charge in respect of, and determined by reference to the amount of, a Storage User's Storage Deliverability in a that Storage Facility calculated in accordance with the relevant Storage Terms;
- (iii) in respect of a LNG Importation Facility, a charge in respect of, and determined by reference to the amount of, a LNG Importation User's LNG Importation Deliverability in a that LNG Importation Facility calculated in accordance with the relevant LNG Importation Terms.”

Add a new paragraph 1.5.3 as follows:-

“1.5.3 In relation to any LNG Importation Facility:

- (a) "injection" or “input” is the transfer of gas into storage from a sea-going vessel or otherwise into (or for use in connection with the operation of) the LNG Importation Facility, and "withdrawal" is the transfer of gas from storage in the LNG Importation Facility for delivery to the System, whether or not the User delivering such gas is the same person as the LNG Importation User effecting such transfer;
- (b) a LNG Importation User's "gas-in-storage" at any time is the amount in aggregate of gas which (in accordance with the relevant LNG Importation Terms) the LNG Importation User is entitled to withdraw from the LNG Importation Facility (and

reflecting its injections to and withdrawals from and any transfers of its entitlements in respect of gas stored in such facility);

- (c) "LNG Importation Injectability" is (as the context may require) the capability of the LNG Importation Facility to accept gas injected, or the entitlement (pursuant to the relevant LNG Importation Terms) of a LNG Importation User to inject gas into the LNG Importation Facility, expressed as a rate or a quantity in a given period;
- (d) "LNG Importation Space" is (as the context may require) the capability of the LNG Importation Facility to have gas stored, or the entitlement (pursuant to the relevant LNG Importation Terms) of a LNG Importation User to have gas-in-storage in the LNG Importation Facility, expressed as a quantity;
- (e) "LNG Importation Deliverability" is (as the context may require) the capability of the LNG Importation Facility to have gas withdrawn, or the entitlement (pursuant to the relevant LNG Importation Terms) of a LNG Importation User to withdraw gas from the LNG Importation Facility, expressed as a rate or a quantity in a given period;
- (f) "LNG Importation Capacity" means LNG Importation Injectability, LNG Importation Space and LNG Importation Deliverability, or any of them, as the context may require;
- (g) a "Storage Gas Transfer" in relation to a LNG Importation Facility, is a transfer (subject to and in accordance with the relevant LNG Importation Terms) of or in respect of LNG Importation Capacity or gas-in-storage."

Amend the heading to paragraph 1.8 to read as follows:-

"1.8 Transco as Storage User and LNG Importation User"

Amend paragraph 1.8.1 to read as follows:-

"1.8.1 pursuant to Section N, Transco may be a LNG Importation User in respect of LNG Importation Facilities for Operating Margins purposes pursuant to Section K, as Shrinkage Provider pursuant to Section N, or as Top-up Manager pursuant to Section P."

Amend paragraph 1.9 to read as follows:-

"1.9.1 Transco may require, as a condition of a User applying for or holding System Entry Capacity or delivering gas to the System at a Storage Connection Point, that the User has complied with such conditions as may be specified in the relevant Storage Connection Agreement.

1.9.2 Transco may require, as a condition of a User applying for or holding System Entry Capacity or delivering gas to the System at a System Entry Point in respect of a LNG Importation Facility, that the User has complied with such conditions as may be specified in the relevant Network Entry Agreement."

Amend the heading to paragraph 4 to read as follows:-

“4 CONSTRAINED STORAGE AND LNG IMPORTATION”

Amend paragraph 4.1.1 to read as follows:-

“4.1.1 The Isle of Grain LNG Importation Facility, together with the Storage Facilities for which Transco LNG Storage is the Storage Operator at Dynevor Arms and Avonmouth are each a **“Constrained Storage Facility”** in relation to a Storage Year.”

Amend paragraph 4.1.2 to read as follows:-

“4.1.2 Transco shall be entitled to require Storage Users and LNG Importation Users to nominate gas for withdrawal from a Constrained Storage Facility in accordance with this paragraph 4.”

Amend paragraph 4.1.3 to read as follows:-

“4.1.3 In this paragraph 4, references:

(a) to a Nomination (or Nomination Quantity) shall accordingly include a nomination (or nomination quantity) in respect of the Storage Facility or LNG Importation Facility as well as the System;

(b) to a User, includes the User as Storage User or LNG Importation User.”

Amend paragraph 4.1.4 to read as follows:-

“4.1.4 Where any Storage Facility or LNG Importation Facility is to

(a)

(b)

(c)in respect of the relevant Storage Connection Point or relevant System Entry Point;

(d)

Amend paragraph 4.1.5 to read as follows:-

“4.1.5 The operator of the Constrained Storage Facility and Transco will Users holding Storage Space or LNG Importation Space in a Constrained Storage Facility (including details of their gas-in-storage and Storage Space or LNG Importation Space) as may bemay delegate to the operator of the Constrained Storage Facility the making of

Amend paragraph 4.1.6 to read as follows:-

“4.1.6as a Storage User or LNG Importation User of a Constrained Storage Facility,
.....”

Add a new paragraph 4.1.8 as follows:-

“4.1.8 Where the Top-up Manager has entered in arrangements (“**Constrained Gas Delivery Arrangements**”) with a Storage User or LNG Importation User, pursuant to which the Storage User or LNG Importation User agrees to hold gas-in-storage in a Constrained Storage Facility as requested by the Top-up Manager and deliver to the Top-up Manager at the System Entry Point or Storage Connection Point relating to the relevant Constrained Storage Facility, then the provisions of this paragraph shall apply as if it were the Top-up Manager that held the relevant amount of gas-in-storage and the Top-up Manager shall be the only User in relation to that Constrained Storage Facility for the purposes of this paragraph 4.”

Amend paragraph 4.2.1 to read as follows:-

“4.2.1 Each User holding Storage Space or LNG Importation Space in a relevant Storage Connection Point or System Entry Point on behalf of the User in accordance with this paragraph 4.”

Amend paragraph 4.2.2 to read as follows:-

“4.2.2 the relevant Storage Connection Point or System Entry Point (and accordingly will”

Amend paragraph 4.2.4 to read as follows:-

“4.2.4:

(a); and

(b) subject to paragraph (c), in the case of any other Storage Facility or any or LNG Importation Facility, the quantity determined in accordance with the relevant Storage Terms or LNG Importation Terms; and

(c) in the case of any LNG Importation Facility at which Transco has entered into Constrained LNG Delivery Arrangements, the quantity determined in accordance with such arrangements.”

Amend paragraph 4.2.5 to read as follows:-

“4.2.5of the relevant Storage Connection Point or System Entry Point to reduce the Constrained Nominationthe System Entry Point comprising the relevant Storage Connection Point or for the System Entry Point (in the case of a LNG Importation Facility) for a Constrained Storage Day.”

Amend paragraph 4.2.7 to read as follows:-

“4.2.7

- (a)
- (b) subject to paragraph (c), in respect of any other Storage Facility or LNG Importation Facility, equivalent to the quantities determined in accordance with the relevant Storage Terms or LNG Importation Terms; and
- (c) in the case of any LNG Importation Facility at which Transco has entered into Constrained LNG Delivery Arrangements, equivalent to the quantities determined in accordance with such arrangements.”

Amend paragraph 4.2.8 to read as follows:-

“4.2.8

- (a)agreed between Transco and the Storage Operator), the maximum LNG Importation Deliverability for that facility (as specified in the Network Entry Agreement or otherwise agreed between Transco and the operator of the LNG Importation Facility); or
- (b)”

Amend paragraph 4.5.1 to read as follows:-

4.5.1 The relevant Storage Terms or LNG Importation Terms will provide in relation to a User holding Storage Space or LNG Importation Space in a Constrained Storage Facility to authorise the operator of the Constrained Storage Facility to deliver gas to the System at the Storage Connection Point or the System Entry Point pursuant to a Constrained Storage Renomination.

Amend paragraph 4.5.2 to read as follows:-

4.5.2 Users will be responsible for ensuring they have sufficient Storage Deliverability or LNG Importation Deliverability to enable the User's Storage Deliverability or LNG Importation Deliverability in the Constrained Storage Facility; and the Storage Connection Agreement or Network Entry Agreement will require the operator of the Constrained Storage Facility to comply withwith the Storage Terms or LNG Importation Terms) result in the User becoming liable for any charge to the operator of the Constrained Storage Facility.”

Amend paragraph 4.6.2 to read as follows:-

4.6.2 Each User holding Storage Space or LNG Importation Space in a Constrained Storage Facility”

Amend paragraph 4.6.3 to read as follows:-

“4.6.3 (as defined in Section Z) or the User’s total LNG Importation Space, for which purpose of the Maximum Storage Space or maximum LNG Importation Space (less Storage Space or LNG Importation held by Transco”

Amend paragraph 4.6.6 to read as follows:-

“4.6.6 relevant Storage Connection Point or System Entry Point for the Constrained Storage”

Amend paragraph 4.6.7 to read as follows:-

“4.6.7 Where as respects any User and any Constrained Storage Facility (other than a Constrained Storage Facility which is a LNG Importation Facility):

(a), or

(b),

paragraph 4.6.8 shall apply.”

Add a new paragraph 4.7.5 as follows:-

“4.7.5 This paragraph 4.7 shall not apply to any Constrained Storage Facility which is a LNG Importation Facility.”

Transition Document

Add the following new paragraph 8.14.15¹ Part II of the Transitional Document:-

8.14.15 R For the purposes of the Code, there shall be deemed to be no “Isle of Grain LNG Importation Facility” until the effective date established in accordance with paragraph 8.14.14.

¹ Numbering assumes that Mod 647 is implemented before or at the same time as Mod 639. If not, then the numbering will require to be altered, and a new paragraph added which is similar to the new 8.14.14 to be added pursuant to Mod 647.

Signed for and on behalf of Transco.

Signature:

Mike Calviou
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 **0639**, version **3.0** dated **01/14/2004**) 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 **3.0**.

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.