

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0639

"Isle of Grain: Change of Status from LNG Storage Facility to Importation Terminal"
Version 1.0

Date: 09/07/2003

Proposed Implementation Date: 01/01/2005

Urgency: Non-Urgent

Justification

Implementation of this Proposal is required to facilitate the change of status of Isle of Grain from a Transco LNG Storage Facility to a LNG importation terminal. This Proposal also recognises that such a change of status needs to be achieved without undermining the contribution that the prospect of Isle of Grain service provision makes to Transco's Safety Case.

Nature of 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.

Purpose of Proposal

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. This is consistent with the securing of effective competition between relevant shippers and relevant suppliers.

Consequence of not making this change

Isle of Grain would remain as a Transco LNG Storage Facility and would not be able to efficiently import LNG at that location.

Area of Network Code Concerned

Section K: Operating Margins
Section P: Top-Up Storage
Section R: Storage

Proposer's Representative

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Signature

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