BUSINESS RULES FOR SECTION P RE-WRITE

1.0 Minor Cross Referencing Errors

Several minor errors appear in Section P that should be amended to maintain the requisite level of accuracy desired in the Network Code. This would remove any ambiguity and misunderstanding which could otherwise materialise. These cross-references would not materially alter Section P of the Network Code as written and would be identified in the legal drafting for this Modification Proposal.

Section P

1.1) Remove any references to Balancing Margins and Systems Margins and replace with Operating Margins.

1.2) The OCM replaced the Flexibility Mechanism under Modification 313 on 1 October 1999. All references to Flexibility Bids should have been removed at this time and as such any references within Section P to Flexibility Overrun Charges and Flexibility Offers should be replaced with Entry Overrun Charges and Top-up Market Bids respectively.

1.3) Within Section P constrained facilities are referred to as Constrained LNG facilities, this does not reflect the possibility of other Storage facilities being constrained. All references to 'Constrained LNG facilities' should be amended to 'Constrained Storage facilities' within Section P. All references to Constrained LNG requirement should be amended to Constrained Strorage Requirement. References to Constrained LNG purposes should be amended to Constrained Storage Purposes.

1.4) The TU Manager has to ensure that all required TU Gas is injected into the appropriate facilities prior to the winter. With different Storage Operators having different Storage Injection Periods there is potential to cause the TU Manager problems in ensuring this. Therefore a Storage Injection Period definition should be entered in Section R stating' the lesser of the last day of the injection period of the relevant Storage Operator or The 1st December, whichever is sooner'.

1.5) To identify whether it is an Imminent or Actual Top Up Requirement - Calculate the number of days it would take to inject the Outstanding Injection Requirement, accounting for the Facility Injection Rate. If after taking into account the number of days required to inject the Outstanding Injection Requirement there are:

Less or equal to 7 days and greater than 2 days of Programmed Injection Days left – Then an Imminent Top Up Injection requirement is declared
Or
Less than or equal to 2 days of Programmed Injection Days left – Then an Actual Top Up Injection Requirement is declared.

To calculate 'Imminent/Actual Top Up Injection Requirement', 3.2.2 (c): Multiply the Facility Injection rate by (number of Programmed Injection Days minus 7 or 2) to give the Relevant Remaining Injectable Quantity. The amount by which the Outstanding Injection requirement exceeds this value is the Imminent/Actual Top Up Injection requirement.

1.6) 1.1.3 Amend reference to ‘BG Storage Facilities’ to ‘any Storage Facilities’.

1.7) 1.2 Revise the title to ‘The Top Up Manager as Transco LNG User’

1.71) 1.2.1 Reposition this to 1.1.4 within Section P.

1.72) 1.2.1 (1.1.4) Replace ‘will’ with ‘may’. Remove for the purposes of Section R. Replace ‘in accordance with Section R’ with ‘in accordance with the relevant Storage terms’.

1.73) 1.2.2 Amend reference to ‘The general provisions of Section R’ to ‘the general provisions of Section Z’.

1.74) 1.2.2 (a) Amend the reference to ‘the requirements of Section R3’ to ‘the requirements of Section Z3’.

1.75) 1.2.3 Reposition this to 1.2.2 (d), as the reference should be specifically to LNG.

Covered by Business Rule 1.76

1.76) 1.2.3 Replace reference R3.1.3 (iv) with Z3.7.8

Deleted: Amend reference R3.1.3 (vi) to Z3.7.8

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1.77) 1.3 An amendment to 1.3.1 (i) should be made which rephrases the paragraph to state that ‘The TU manager will be bound by Section B in relation to Entry and Exit Capacity’. This will confirm that the TU Manager may purchase capacity, this will then allow the deletion of 1.3.2.

1.78) 2.2 All references in 2.2 to R2.4 to be replaced new definition of Storage Duration

1.79) 2.2.2 (ii) (a) & (b) Amend references to Hornsea, LNG and Rough to Short, Medium and Long Term Duration Facilities.

1.710) 2.3.2 Correct the misspelling of Storage

1.711) 2.4.1 (I) Replace reference ‘Section K4.3’ with Section K3.2.

Deleted: ‘Section K3.4’

1.712) Covered by Business Rule 1.78

Deleted: 2.4.2 Replace reference R2.4 with new definition of Storage Duration

1.713) 2.5.1 Replace reference K4.3 to K3.2

Deleted: K3.3

1.714) 2.5.1 Replace reference K4.4 to K3.3

1.715) 2.5.2 (iii) Replace reference K4.3 to K3.2

Deleted: K3.4

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1.716) 2.5.2 (iv) Replace reference K4.3 to K3.2.5

1.717) 2.5.3 replace reference to 6.3 and 6.4 with pursuant to paragraph 6.

1.718) 2.7.1 Replace “In accordance with the injection rules of Section R” with ‘In accordance with the injection rules available to the Top-up Manager under the relevant Storage Terms’.

1.719) 2.7.2 (v) Replace reference K3.3 with K3.2

1.720) 2.7.2 (v) Replace reference K3.4 with K3.3

1.721) 2.7.3 Replace K4.6.4 with K3.5.4

1.722) 2.8 Remove Section.

1.723) 2.7.4 Replace K4.3.5 with ~~K3.5.4~~

Deleted: K3.2.5

1.724) 2.9.4 (c) and (d) to be replaced with 2.9.5 (i) and (ii)

Deleted: ¶

1.725) 2.9.4 (d) Replace reference 2.9.5 (a) with 2.9.1 (a)

1.726) 2.10.2 Replace reference K4.4.2(a) - (h) with K3.3.2 (a) – (h)

1.727) 2.10.2 Replace reference K4.4.4 with K3.3.5

1.728) 2.10.2 Replace reference K4.4.5 with K3.3.6

1.729) 3.1 Replace with reference to Section R with under the relevant Storage Terms.

1.730) 3.1 (ii) Replace with reference to Section R with under the relevant Storage Terms.

1.731) 3.2.3 (ii) Replace User Injection Rate with the appropriate User Injection rate under the terms of the relevant Storage Facility.

1.732) 3.6.1 (i) Replace reference R8.7.4 with R4.7.4

1.733) 3.6.1 (iii) replace reference 2.3 with 2.7

1.734) 3.8.1 Replace reference K4.3.7 with K3.2.7

1.735) 3.8.2 Replace reference K4.3.5 with K3.2.5

1.736) 4.3.3 (ii) Replace reference R2.7 with Z2.6

1.737) 4.3.3 (ii) Replace reference R3.8.1 with Z3.7

1.738) 1.1.3 Amend reference from ‘BG Storage Facilities’ to ‘any Storage Facilities’

1.739) 2.2.2 (ii) (a) Amend reference ‘Hornsea and LNG’ to ‘Short and Medium Duration Facilities’.

1.740) 2.2.2 (ii) (b) Amend reference ‘in respect of the Rough Facility’ to ‘in respect of Long Duration Facilities’.

1.741) 2.4.1 (i) Amend ‘in accordance with Section K4.3’ to ‘in accordance with Section K3.4’.

1,742) O4.2.5 Replace ‘on any date from 1st May up to and including 1st October’ with ‘at any time during the Storage Year’.

2.0 Facility Type Definitions

Under a previous Modification Proposal the definition of Storage Facility Type was deleted. Much of Section P relies on the definition of particular Storage Types. The previous definition of Facility Types was based on named facilities i.e. Rough rather than the characteristics of those sites.

2.1 The definition of a Storage Facility Type will be based on duration:

1. Less than 10 days. Short Duration Storage Facility
2. Equal to or Greater than 10 days but less than 30 days. Medium Duration Storage Facility
3. Equal to or Greater than 30 days. Long Duration Storage Facility

Duration is derived from dividing the maximum quantity of gas (gWh) that could be stored in the facility if the facility was fully booked by the maximum rate of withdrawal (gWh per Day) of that facility.

3.0 Top Up Information

To carry out his requirements under Section P the Top Up Manager only requires information from the Storage Operator relating to stocks at an aggregate level for each Storage Facility type for all Storage Users [see definition].

3.1 The aggregate information required from the Storage Operator is the detail of all Storage Users gas in each facility, excluding cushion and native gas.

3.2 A further rule to enable Transco to fulfil his obligations in relation to its Top Up requirements will result in the provision of additional information from the Storage Operator. This includes the maximum stock levels, maximum deliverability and maximum injection rates for each Storage Facility. This will enable Transco to meets his Safety Case obligations, therefore failure to provide this information would result in the termination of the SCA.

3.3 The definition of the Maximum Stock Level is the maximum amount of gas that could be held in store at a facility, excluding native and cushion gas.

3.4 The definition of the Maximum Deliverability is the maximum quantity of gas that could be delivered from a facility on a Day, during mid winter.

3.5 The definition of the Maximum Injection Rates is the maximum quantity of gas that could be injected into a facility on a Day, during the injection period of the relevant Storage Operator or before 1st December whichever is the sooner.

3.6 The requirement to restrict information to an aggregate level for each Storage Facility may affect further areas of Section P including the requirement for the Top-up Manager to notify individual Users of an Imminent Top Up Injection Requirement. Therefore in the event of an imminent Top Up Injection Requirement, the TU manager will notify the Storage Operator(s) who will then be responsible for notifying the affected Storage Users.

3.7 The determination of proportions of Storage Space transferred to the Top-up

Manager (under paragraph 3.5, Storage User has booked but unfilled Space) from each affected Storage User is determined by the TU Manager. The obligation to calculate each Storage Users proportion of Storage Capacity to be transferred to TU Manager would need to be done by the relevant Storage Operator who would also be responsible for notifying the affected Storage Users.

These rules can only apply to LNG facilities or to other Storage Facilities that have the same terms to enable this transaction.

4.0 Top-up Determination

4.1 If the stock level in a specific facility type exceeds the facility type monitor level then surplus may be counted towards the stock level for Facility types of longer duration Storage Facilities.

4.1.1 Where the Top-up Manager identifies that there is a Winter Top-up Injection Requirement in a Top-up Storage Facility Type the Top-up Manager will be permitted to count gas from a surplus Top-up Storage Facility Type towards the stock level for the Top-up Storage Facility Type which is in deficit.

4.1.2 The Surplus Top-up gas will only be ‘Available’ to contribute to the stock level of the deficit Top-up Storage Facility Type when the surplus gas is held in a surplus Top-up Storage Facility Type which is of a shorter duration than the Top-up Storage Facility Type which is in deficit. This concept would need to be defined for the purposes of the Network Code.

4.1.3 The Top-up Manager will not be permitted to count surplus gas in a Constrained Top-up Storage Facility towards the stock level of a deficit Constrained Top-up Storage Facility.

4.2 When assessing each facility types stock level against the Top Up Facility Type monitor then the stock figure used should include any quantity of Operating Margins gas which is in excess of the Operating Margins monitor level which may exist in facilities of the same type. However no physical or accounting transfer would occur.

Paragraph P3.4 requires the Top-up Manager to conduct a daily review to determine whether there is a requirement to inject additional gas into storage so that the Top-up Requirement is met both on a facility type basis and at an aggregate level across all facility types. This ‘(Aggregate) Winter Top-up Injection Requirement’ is the amount by which the Remaining Stored Gas Requirement (the quantity of stored gas that is required to meet remaining 1-in-20 and 1-in-50 demand) exceeds Remaining Gas-in-Storage on the day of review. The definition of Remaining Gas-in-Storage includes the Top-up Managers gas-in-storage and Users gas-in-storage but currently excludes any Operating Margins Gas.

4.2.2 In the event that Top Up is required which would result in the use of Operating Margins gas then at this time the transfer of gas and accounting transfer would occur and the costs included i.e. The WACOG of TU.

4.2.3 Although the Surplus Operating Margins gas will contribute towards the Remaining Stored Gas Requirement, the Surplus Operating Margins gas will only be 'Available' to contribute to the Remaining Stored Gas Requirement when the surplus gas is held in an Operating Margins Storage Facility which is of a shorter or equivalent duration Facility Type than the Top-up Storage Facilities which are in deficit. This concept would need to be defined for the purposes of the Network Code.

4.2.4 'Surplus Operating Margins Gas' would need to be defined as Operating Margins gas-in-storage which exceeds the 'Aggregate Operating Margins Profile' as defined by paragraph K2.2.1.

4.3 The stock level figures which are used in the Top-up determination and redetermination in any facility should comprise of all gas stored in such a facility as a result of the allocation of such capacity by Storage Operators to persons whose gas is capable of being withdrawn from such a facility within that Storage Year.

4.3.1 This would require that all references to 'User' be replaced with references to 'Storage User' in all paragraphs that determine the quantity of Allocated Storage Space and Deliverability. The same amendment would be required to all other paragraphs which impact upon and interact with the determination of Top-up Requirements by the Top-up Manager.

4.3.2 'Storage User' is defined in Section R as "… any person (including the Storage Operator), whether or not such a person is a User *(i.e. a signatory to the Network Code)*, which utilises or is entitled to utilise the services of the Storage Facility." This definition is appropriate and as it is contained within Section R it can stand as a generic term which is descriptive of persons that have entered into contractual arrangements for the use of any Storage Operator's Storage Facilities.

4.3.3 The existing Network Code provisions do not enable the Top-up Manager to 'constrain-on' non-Users gas. It would therefore be appropriate to allow the Top-up Manager to take account of non-User Storage Capacity for the purposes of determining and re-determining 'National' Top-up requirements but not the Constrained LNG Requirement.

5.0 Review supply security level within year

Paragraph 2.6 provides that no later than 31 May in the Storage Year the Top-up Manager will notify Users of the Top-up Requirements for the forthcoming Storage Year. Where there is insufficient Uncommitted Storage Capacity available to the Top-up Manager, the existing provisions of the Network Code require the Top-up Manager to notify Users of a revised supply security level.

5.1 Existing provisions do not allow for a redetermination of the supply security level within year unless there is a revision of the Supply and Demand Estimates.

It is possible that new Storage Facilities may become operational within year. This would not trigger a revision to the Supply Estimates and therefore a subsequent reduction in the Top-up requirements because maximum annual/daily supply does not include gas that can be delivered from Storage Facilities.

An amendment would therefore be required to enable the Top-up Manager to review the supply security level following the commissioning of a new Storage Facility which occurs after the notification on 31 May.

5.2 The supply security level will be revised following the commissioning of a new Storage Facility. Any increase in the supply security level will be the lesser of the additional Storage Space and Deliverability which has become available or the amount required to meet the 1-in-20 Deliverability requirement and the 1-in-50 Space requirement as determined not later than 30 April in the preceding Storage Year.

5.3 If the supply security level is altered, the Top-up Manager will assess whether there is any impact on the Top-up Storage Requirement or Top-up Deliverability Requirement. In doing so the top-up Manager will reassess the Allocated Storage Space and the Allocated Storage Deliverability.

5.4 Correspondingly the definition of ‘Allocated Storage Space’ and ‘Allocated Storage Deliverability’ would need to be inclusive of any additional Storage Space and Deliverability which has become available prior to the date of review following the commissioning of a new Storage Facility.

6.0 LNG Gas transfers under the terms of Late Booking

The ability of the Top Up Manager to transfer capacity under the terms of late booking can only be applied to LNG facilities or Storage Facilities which matching conditions in their Storage terms only, therefore there are a number of amendments required to reflect this

6.1 Amend title from ‘Surrender on Late Booking’ to ‘Surrender on Late Booking of Transco LNG Capacity’.

6.2 Replace reference ‘R3.8’ with ‘Z3.7’.

6.3 4.4.2 (I) Replace ‘R3.8’ with ‘Z3.7’.

6.4 4.4.3 Replace ‘R2.7’ with ‘Z2.6’.

7.0 Gas Transfers at 105% of WACOG

The Network Code contains rules which allow Users to ask the Top-up Manager to transfer gas in store to a User at 105% of the Weighted Average Cost of Gas (WACOG). At the time the Network Code was written it was envisaged that this price was significantly high to discourage Users from asking for a gas transfer which was intended to incentivise Users to book and fill Storage early.

7.1 This is no longer the case and therefore a change to the method of pricing gas which is subject to such a transfer is required. The price of transfer gas should be the greater of 105% * WACOG or the highest price transacted on the OCM by a Market Participant on the day of the transfer plus injection charges of the appropriate Facility.
The rationale of using The highest price transacted on the OCM is to remove any potential for gaming and ensuring that the revenue generated for the Top Up Manager would be enough to replace the gas in the Facility in the event that the transfer created a Top Up requirement.

7.2 The reference price for NBP gas should be based on the Highest price transacted on the OCM by a Market Participant on the day of the transfer.

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