

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0583
"Top-up Monitor Cost Recovery"
Version 1.0

Date: 13/09/2002

Proposed Implementation Date: 01/12/2002

Urgency: Non-Urgent

Justification

Transco's Safety Case, which includes Top-Up as part of the safety regime, refers to provisions within both the Gas Supplier and the Gas Transporter Licence in respect of supply security:

- In the Gas Supplier licence there is a requirement for the relevant supplier to either meet "domestic supply security standards" in relation to their domestic customers, or secure that gas conveyed by gas transporters for supply to domestic customers is conveyed in conformity with those transporters' network codes. The definition of supply security standards is contained within paragraph 4 of Standard Condition 32A in the Supplier Licence.
- In the Gas Transporter Licence, Standard Condition 9 (1) (d) requires that transporter to establish a network code calculated (inter alia) to provide "reasonable economic incentives for relevant suppliers to secure that the domestic supply security standards" are satisfied as respects the availability of gas to their domestic customers, and Top-Up is part of the arrangements through which Transco meets this condition.

By placing costs on Users withdrawing gas in such a way as to necessitate counter injections by the Top-Up Manager, implementation of this Modification Proposal would strengthen the incentives in place for relevant suppliers to secure that the domestic supply security standards are being met.

Nature of Proposal

It is proposed that where the Top-Up Manager identifies a Winter Top-Up Injection Requirement, due to the amount of gas-in-storage falling below the "monitor" level, it would notify this to all Users. Following such notification, if a User were to make any subsequent Storage Withdrawal Nomination, the net costs of any counter storage injection made by the Top-Up Manager in compliance with the Network Code and Safety Case would be recovered from that User. This notification would be withdrawn if the monitor level subsequently fell below the amount of gas-in-storage.

The costs expected to be incurred by the Top-Up Manager to be recovered from the User would be:

- Cost of gas purchased on the day for injection into the Storage Facility(ies) concerned;
- Costs of all services procured by the Top-Up Manager in order to make the injection and

to store the gas; and

- Any additional costs in withdrawing that gas from the Storage Facility(ies) under Network Code disposal arrangements.

It is suggested that all income, after allowing for financing costs, from the subsequent disposal of that gas would be offset against the costs summarised above.

Purpose of Proposal

Implementation of this Modification Proposal would introduce a new economic incentive to deter Users from making withdrawals, which in the absence of a counter injection, would cause the amount of gas-in-storage to fall below the monitor level. This would not affect the present situation in respect of User costs where gas is withdrawn from storage during severe weather or when the monitor level reduces (eg late winter).

This is consistent with providing reasonable economic incentives for relevant suppliers to secure that domestic supply security standards are satisfied.

Consequence of not making this change

Users would only have the present incentives to prevent withdrawal of gas even where those withdrawals would cause the gas-in-storage to fall below the monitor level.

Area of Network Code Concerned

Section P Top-Up Storage

Proposer's Representative

John J Bradley (Transco)

Proposer

Tim M Davis (Transco)

Signature

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