

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0671
"Enhancements to Winter Injection Process"
Version 1.0

Date: 18/11/2003

Proposed Implementation Date: 01/01/2004

Urgency: Non-Urgent

Justification

The following potentially undesirable features in the present Top-up arrangements have been identified:

- The calculation of Top-up Market Offer Price is dependent upon the value of System Overrun Charge but this is only known after the Day. The consequence of this is that the original Top-up Market Offer Price, entered on the OCM, could only be based on an estimate of this charge but as the Day progressed this estimated price would potentially require review and adjustment. As this particular item might be expected to be one of the smaller elements within the price calculation it is suggested that the value derived prior to the Gas Day be adopted that would then be fixed for that Gas Day.
- In the event of a Winter Injection, the Top-up Manager might be able to utilise interruptible Storage Capacity which in turn would contribute to a much reduced balancing incentive than was intended within the design of the Top-up Market Offer Price calculation.
- The Top-up Manager is required to calculate its Winter Injection Nominations based on Users' Input Nominations even where Transco may be in possession of relevant and reliable operating information, which would indicate a different Winter Injection Nomination.
- The Top-up Manager is only permitted to review and dispose of surplus Top-up gas at the end of each month.

This Proposal seeks to replace these features with more consistent Network Code Top-up provisions.

Nature of Proposal

It is proposed that the calculation of Top-up Market Offer Price be amended to ensure that it is based upon prices available prior to the Day and that this price reflects the cost of firm Storage Capacity.

For the Storage Capacity unit rate element (C/T) it is proposed that:

- If the Top-up Manager had made one or more firm Storage Capacity bookings prior to the Winter Period at that Storage Facility, further acquisition of Storage Capacity for Winter Injection would not reduce the unit rate element to a lower value than that represented by these firm bookings.

- If the Top-up Manager had not made a booking prior to the Winter Period at that Storage Facility, the Storage Capacity unit rate element would be set to the weighted average price of firm Storage Capacity sold by Transco LNG Storage to Users in respect of that Storage Year.

For the System Entry Overrun Charge element (E) within the Top-up Market Offer Price it is proposed that this be set each month to the value of the System Entry Overrun Charges applying to the relevant System Entry Point at 13.00 on the last Day of the previous month .

Transco has discussed various price alternatives for both the E and C/T terms within the NT&T Workstream and would welcome any alternative suggestions within the representations.

In addition, it is proposed that the Top-up Manager be permitted to take account of all relevant information Transco has available in respect of the Day in determining the quantity to be nominated as a Winter Injection. It is also proposed that the Top-up Manager be permitted the full range of nomination timing flexibility permitted to Users under the Network Code.

Finally, to ensure that gas procured by the Top-up Manager is disposed efficiently when there the gas-in-storage exceeds monitor levels, it is proposed that the present restriction which only allows the Top-up Manager to review such surpluses at the end of each month, be removed to allow a daily review and adjustment of stocks.

Purpose of Proposal

Setting the Top-up Market Offer Price at a consistent level that represents the cost of gas and firm Storage Capacity, would facilitate the achievement of economic incentives for relevant suppliers to secure domestic supply security. Allowing the Top-up Manager to base its Winter Injections on the best information available to it is consistent with efficient and economic operation of the System.

Consequence of not making this change

The present features identified above would be retained. This would be inconsistent with the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied.

Area of Network Code Concerned

Section P: Top-up Storage

Proposer's Representative

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Proposer

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Signature

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