

**Modification Report**  
**Amendment of Network Entry Provisions at Hornsea Entry Point**  
**Modification Reference Number 0722**  
Version 1.0

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 the gas entry provisions, which form part of the Network Entry Provisions for the Hornsea System Entry Point, would be amended as follows:

<b>Gas Quality Characteristic</b>	<b>Current Specification</b>	<b>Proposed Specification</b>
Hornsea Wobbe Lower Limit	48.14 MJ/m <sup>3</sup>	47.20 MJ/m <sup>3</sup>

## **2. Transco's Opinion**

There could be implications for the security of gas supplies if gas injected into Hornsea were of a specification which would not allow for re-delivery into the NTS. Transco therefore supports implementation of this Modification Proposal, which would enable a revised gas quality specification to be incorporated in a Storage Connection Agreement (SCA). Any change to the Network Entry Conditions would apply upon implementation of a revision to the SCA.

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

The Proposer suggests that implementation of this modification would secure effective competition between relevant shippers, and removing the possibility of out of specification gas being re-delivered at the Hornsea entry point would further the efficient and economic operation of the pipeline system.

## **4. The implications for Transco of implementing the Modification Proposal , including** **a) implications for the operation of the System:**

This Modification Proposal, should it be implemented, is expected to enhance the security of the System by ensuring Hornsea supplies are available to be delivered into the NTS.

Transco notes that the existing contractual lower Wobbe Number limit is narrower than the limits prescribed in GS(M)R. The Proposal would therefore remove this margin and presents an increased risk that any Wobbe Number excursion would breach GS(M)R. Transco requires the full co-operation of the Storage Facility Operator (DFO) at each System Entry Point to ensure that gas supplies are compliant with GS(M)R.

**b) development and capital cost and operating cost implications:**

Changes in capital and operating costs would only be expected were implementation of the Modification Proposal to lead to a change in flow patterns on Transco's network. At present Transco has no data to suggest that the implementation of this Modification Proposal would lead to a change in the flow patterns on the System.

**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:**

To the extent that implementation of the Modification Proposal was to lead to increased costs, Transco believes it would be appropriate for these to be considered as part of the next price control review. However, were a significant impact on operating costs to be identified within the present price control period, Transco believes the most appropriate way for Transco to recover the costs would be by application of paragraph 14(11) of Part 2 of Special Condition 28 of its Gas Transporters Licence.

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

Transco is unaware of any such consequences.

**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 is unaware of any such consequences.

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

No implications have been identified.

**7. The implications of implementing the Modification Proposal for Users**

Implementing the Modification proposal would be expected to facilitate Users continued full use of the Hornsea facility under the new gas quality scenarios, which may occur on the NTS as a result of recent Network Code Modifications.

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

Implementation of this Modification Proposal may result in increased confidence of gas being able to be delivered into the NTS from the Hornsea facility. This should have a positive impact upon security of supply.

**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**

Transco has not identified any such consequences.

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

### **Advantages**

Enhances security of supply by ensuring Hornsea can continue to store NTS gas and redeliver it to the System when required.

### **Disadvantages**

None identified.

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

5 representations were received to the consultation from:

<b>Respondent</b>	<b>Response</b>
E.ON UK plc (EON)	Support for
BP Gas Marketing Ltd (BP)	Support for
Scottish & Southern Hornsea Limited (SSH)	Support for
Scottish & Southern Energy plc (SSE)	Support for
British Gas Trading Limited (BGT)	Support for

### **11.1 General Principles**

This modification Proposal received 5 representations all of which were supportive EON & SSE stated that this Modification Proposal will “remove any potential for undue discrimination” BGT referred to Modification 0720 which was approved on 29th October and applied the same change to the Rough Storage facility.

### **Transco Response**

Transco recognises that the issue of gas entering a storage facility but not being able to be injected back into the NTS due to a potential mismatch of gas quality specification is a concern to Storage Facility Operators. Transco is therefore supportive of Modification Proposals from SFOs to amend their Storage Connection Agreements to bring them in line with recent gas quality changes at Entry terminals.

### **11.2 Security of Supply**

All respondents stated that the Modification Proposal would enhance the security of supply. SSE stated “We believe the proposed change is also in the interest of security of supply, as it will help maximise gas availability” BGT believed that the inconsistency between the gas quality specifications for gas entering and leaving the storage facility “undermines the usage and operation of gas storage and could have implications for security of supply”

## **Transco Response**

Transco agrees that this Modification Proposal, if implemented, would enhance the UK security of supply situation by ensuring that Hornsea gas is capable of being accepted back into the System when required.

### **11.3 Securing Competition**

EON and SSE are of the opinion that “The implementation of this proposal would better facilitate the relevant code objective (c) the securing of effective competition”

## **Transco Response**

Transco agrees with this comment.

### **11.4 Implementation**

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BG commented that they felt that “It would again seem prudent to ensure that all amendments to the gas specification at this point arising from the various proposals are coincidental and that the Modifications have a common implementation dates.”

## **Transco Response**

Transco recognises BGT’s position and are therefore supportive of amending the SCAs with all relevant parties as soon as practicable, subject to this and related Modification Proposals being approved.

### **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 such requirement.

### **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 is not aware of any such requirement.

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

Transco would contractually agree the revised gas quality specification through a revision to the SCA with SSE Hornsea Limited, acting in its role as a SFO at Hornsea. Upon implementation of the revision to the SCA, System Users would be able to flow gas at the relevant System Entry Point in accordance with the revised specification.

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

Transco would envisage that, should this Modification Proposal be accepted, that the revision to the SCA could be agreed and implemented before the beginning of the Hornsea summer 2005 injection program.

**16. Recommendation concerning the implementation of the Modification Proposal**

Transco recommends implementation of this Proposal.

**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**

Revised Network Code legal text is not required as implementation would be achieved via execution of the SCA.

Signed for and on behalf of Transco.

Signature:

**Richard Court**  
**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 **0722**, version **1.0** dated **04/11/2004**) 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 **1.0**.

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.