

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

This Draft 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:

Current Gas Quality Specification: Hornsea Wobbe Lower Limit	48.14 MJ/m ³
Proposed Gas Quality Specification: Hornsea Wobbe Lower Limit	47.20 MJ/m ³

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 were 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)

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.

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.
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.

17. Text

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report

Signed for and on behalf of Transco.

Signature:

Richard Court
Commercial Frameworks Manager
NT & T

Date: