

Modification Report
LNG Annual Storage Invitation terms into Network Code
Modification Reference Number 0723
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

The Nature of the Proposal was as follows:

Incorporate Standard ASI Terms

Transco LNG Storage (TLNGS) proposes to incorporate current standard Annual Storage Invitation (ASI) terms ie the terms that have been replicated over several years, into Network Code Section Z. Such service terms include Tanker Filling Arrangements, Low Cost Deliverability Overruns, Attribution of Value and Short Standby Charging Regime.

Creation of TLNGS Credit Terms

Furthermore TLNGS proposes to incorporate text into the Network Code Section Z, which states that should Users apply for LNG Storage Capacity then they would be deemed to have accepted the TLNGS Credit Terms upon capacity application. Additionally TLNGS would be obliged to make Users aware of how to get access to the TLNGS Credit Terms and would discuss any modifications to such terms with relevant Users.

Correction of Minor Section Z Errors

Finally, TLNGS proposes to correct minor errors in the current Section Z text, which have been identified over the last year since the implementation of modification proposal 0608. The required amendments include the addition of a reference to Injectability in Z3.5.1 and the correction to the Injectability compensation formula.

2. Transco's Opinion

In recommending implementation of this Proposal, Transco has taken into account the following:

Since the 2000/01 Storage Year, TLNGS has invited applications for Storage Capacity in each of the relevant Storage Facilities in accordance with Network Code Section Z3.1. Since this initial ASI, TLNGS has clarified elements of the LNG service in each subsequent ASI to ensure that potential Users have all relevant information to allow them to bid for annual LNG Storage Capacity. As a result the 2004/05 ASI, which was issued on 1st March 2004, totalled 21 pages of both service terms and data. Additionally, TLNGS Users are required to sign a separate Credit Agreement. Given that some of these were signed a number of years ago, current TLNGS Users have inconsistent credit terms. Finally, there

are errors in Section Z text as a result of the implementation of Modification Proposal 0608.

Implementation of this Proposal would incorporate standard ASI Terms into Network Code which would reduce the administrative burden upon TLNGS in creating the ASI and would expedite Users tender evaluation process. The ASI would then be a 'data' document, which would consistent with a request made at PSS Sub Group for only relevant information to be issued in tender documentation.

Transco has reflected on the representations and has accordingly amended the TLNGS Credit Rules such that any changes to the TLNGS Credit Rules would only be made with effect from 1 April each year. In that event, the revised TLNGS Credit Rules would be notified to Users with the ASI. Transco has also reinstated the flexibility for Users to attribute value in respect of various capacity elements in a bundled unit and has amended the legal text to correct minor drafting errors identified by Users.

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

Streamlining the ASI would be consistent with furtherance of economic and efficient operation by Transco of its pipeline system. It would also serve to make the procurement of storage services more accessible to shippers. This is consistent with facilitating the achievement of securing effective competition between relevant shippers.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

Transco is not aware of any such implications.

b) development and capital cost and operating cost implications:

Transco is not aware of any such implications.

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:

Transco does not believe this to be applicable.

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

Transco is not aware of any such implications.

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 believes that, by standardising credit terms, implementation would lead to an improvement in the level of TLNG's contractual risk.

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

Transco is not aware of any such implications.

7. The implications of implementing the Modification Proposal for Users

Users would no longer need to consider in detail all the terms within a 21 page document but be able to focus their attention on the key commercial terms expressed within a more concise ASI.

Users would also have the confidence that their credit terms are no different from any other party and use of standard terms would streamline applications for Storage Capacity under the ASI process.

Finally, Users would not be required to sign a separate credit agreement before being able to utilise TLNGS Storage Capacity and this would reduce the administrative burden on Users.

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

Users would be expected to pass on any benefit to their customers but this benefit is not expected to be major.

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 is not aware of any such consequences.

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

Transco has identified the following advantages of implementation of this Modification Proposal:

- Reduction in the administrative workload for TLNGS in creating the ASI
- Expedition of Users' tender evaluation process
- Reduction in administrative burden upon Users as they would no longer have to sign a separate credit agreement.
- Improved focus on the terms that remain within the ASI
- Consistency in all Users' credit terms.

- Correction of drafting errors within Section Z

Transco is not aware of any disadvantages.

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

Representations were received from the following:

British Gas Trading Limited (BGT)	For
Centrica Storage Limited (CSL)	For
E.ON UK plc (EON)	For
RWE npower plc (RWE)	For
Total Gas & Power Limited (TGP)	Against

Comments were received on the following:

General

BGT referred to the three stated aims of this Proposal and referred to the first and third aims as administrative conveniences that "appear to have little or not impact upon commercial arrangements." As such it supported implementation.

CSL, whilst detailing qualifications that are outlined below expressed its support for implementation.

EON concurred that implementation "would reduce the level of unnecessary administration processes associated with the ASI".

RWE expressed support for implementation without commenting further.

TGP stated that it had mixed views and was at that time "unable to give it our unqualified support"

Transco Response

Transco acknowledges the view that implementation would be administratively efficient and would, in consequence, reduce the level of unnecessary processes associated with the ASI

Credit Terms

BGT believed that the terms were "consistent with the methodology applied for setting credit arrangements for other services and as such appear reasonable." BGT pointed out that the terms would be "referenced as an integral part of the Network Code common contract, these would be accessible to Users to propose amendment of the conditions if thought necessary."

CSL pointed out from the draft text that Users would be deemed to have accepted the TLNGS Credit Terms upon application for capacity. CSL, however, acknowledged that TLNGS would be obliged to make User's aware of "how to get access to the TLNGS Credit Terms and would discuss any modification to such terms with relevant Users." In respect of the Credit Rules, CSL, in reviewing clause Z9.1.2, highlighted the apparent lack of consultation in respect of their establishment and revision and concluded from this that any "changes to these Terms would therefore not be a Code topic and would be at TLNGS' sole discretion." CSL stated its preference for TLNGS Credit Terms

appearing in Section Z so that any proposed changes would be covered by the Network Code Modification Procedure. In respect of the Draft LNG Credit Rules, CSL contrasted the clause that stated TLNGS would "determine" a User's credit limit with its own agreement that states CSL and its customers will "agree" a credit limit. Finally, CSL expressed some difficulty in understanding the purpose of Clause Z9.1.3 of the legal text which stated that the "TLNGS Credit Rules do not form a part of the Code and (but without prejudice to the further provisions of this paragraph or to anything done pursuant to the TLNGS Credit Rules) nothing in the Code shall make compliance with such rules an obligation of Transco LNG Storage or Users."

EON, in support of this Proposal, pointed out that implementation would "also ensure consistent credit terms across the board". However, EON contrasted a previous credit limit based on 51/365th of the annual charge with the revised credit rules where there would be "no defined mechanism for Transco to calculate the Customers' Storage Credit Limit" and concluded from this that without "such clarity, Customers' willingness to enter arrangements with TLNGS may become inhibited."

TGP were concerned that this Proposal did "not intend to also include the TLNGS Credit Terms within the Network Code and deems Users applying for LNG storage capacity to have accepted these credit terms." For clarity and efficiency, TGP recommended that these terms be included within the Network Code. TGP particularly expressed concern at the discretion Transco would have under Z9.1.2 "whereby the credit rules may be modified without the requirement to consult Users."

Transco Response

Transco believes that the credit terms proposed essentially reflect those arrangements that are in place for the current Storage Year. Whilst recognising the lack of formal consultation arrangements in respect of credit rules TLNGS has always consulted in good faith with Users and would continue to do so. This Proposal is consistent with the Code Credit Rules for transportation Credit. However, the TLNGS Credit Rules would be amended such that any changes to the TLNGS Credit Rules would only be made with effect from 1 April each year, and the revised TLNGS Credit Rules would be notified to Users with the ASI.

Transco does not believe it appropriate to include the LNG Credit Rules within the Network Code and would wish to point out that this view is consistent with the status of Code Credit Rules defined in V3.1.2. In addition, the proposed wording of clause Z9.1.3 is consistent with the wording, in respect of Code Credit Rules, set out in V3.1.3.

Transco does not believe that it is necessary to seek "agreement" with Users in respect of individual credit limits. The proposed wording is consistent with the provisions of the Credit Agreement that a number of Users have already signed. Furthermore the 51/365th annual charge formula was removed from the standard TLNGS Credit Agreement two years ago as it was not consistent with the provisions of Section Z (specifically it would have required TLNGS to issue indebtedness notices prior to capacity and commodity charges being invoiced).

Subdivision of Bundled Unit Capacity

CSL expressed a doubt that the proposed legal text fully covered "the issues relating to subdivision of the capacity of a bundled unit between the unbundled elements and the subdivision of the price paid between the unbundled elements." CSL assumed that the ASI would specify the capacity elements, but suggested "the text should indicate whether the User can specify (perhaps within limits) the subdivision of the bundled unit price between the capacity elements or whether TLNGS would do this" and expressed a preference for the former.

Transco Response

In previous ASIs Users have been given the option to attribute value to the various capacity elements of a standard bundled unit. However, experience has highlighted that this option has not often been exercised by Users. This has resulted in application of the TLNGS default attribution. Transco, however, has no objection to continuing with a User defined option and this option will continue to appear in the ASI.

SIU Pricing

CSL questioned whether the proposed legal text should leave open the issue of "whether a User of Tanker Filling Arrangements should pay prices set out in the Transco Licence or set out in the relevant Annual Storage Invitation." CSL suggested "where prices set out in the Licence these should surely apply except where TLNGS are prepared to offer discounts." CSL therefore concluded that prices in the ASI "should therefore only apply where TLNGS are offering such a discount or where certain price elements may not be specified in the Licence" and that this clause should be re-drafted accordingly.

Transco Response

The legal text reflects the fact that TLNGS is bound by Transco's licence to charge Special Condition 9D prices for LNG Storage Services but apply for a derogation prior to the commencement of each Storage Year. In accordance with the "interim arrangements" agreed with Ofgem in 1999, this derogation only applies to capacity sold in excess of Operating Margins and SIUs. This gives rise to a two stage pricing reflecting firstly, for SIUs, 9D prices for injection capacity, space capacity and tanker filling slots and secondly, for Users with tankering interests, bundled units of capacity and tanker filling slots.

Standby Conditions

CSL suggested that standby conditions should be included within the Network Code rather than be left to be presented in the ASI

Transco Response

The present ASI defines both a price trigger and a demand trigger for bringing the LNG Storage Facilities onto short standby. Transco believes that defining these triggers in the Network Code is inappropriate, as it would impede TLNGS from refining its triggers to reflect current market conditions such as knowledge on gas prices and the supply/demand match.

Legal Text

CSL queried the proposed changes to Z5.6.4 and Z5.7.2 which showed the deletion of the C/183 in the formulae. Also CSL queried the position of an apostrophe in Z7.2.2, whether Z7.2.4 should clarify that a User has a nomination

which entails a Permitted Deliverability Overrun and finally Z7.2.6 and Z7.2.8 would be clarified by inserting the word "begins".

Transco Response

Transco agrees with the suggestions made by CSL and the updated legal text reflects this. It also acknowledges that the term "C" should not have been deleted in Z5.6.4 and Z5.7.2

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 is not aware of any such requirement.

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

Transco recommends immediate implementation.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Proposal be implemented.

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

Section Z

Insert the following as a new paragraph 2.6.5:-

2.6.5 Where a User tenders a single composite price, in accordance with paragraph 3.5.4, Transco LNG Storage shall calculate and notify the User of the ratio of the bundled unit of Storage Capacity split between Storage Injectability, Storage Space and Storage Deliverability and the Applicable Storage Capacity Charge Rates no later than 28th April in the Preceding Storage Year.

Amend paragraphs 2.9.1 and 2.9.2 to read as follows:-

2.9.1 Transco LNG Storage may enter into arrangements ("Tanker Filling Arrangements") pursuant to which Users ~~may that~~ hold Storage Space and ~~Storage Injectability~~ Capacity and have gas-in-storage in a Transco LNG Storage Facility and may withdraw gas from such facility as LNG loaded onto road tankers.

2.9.2 Under a Tanker Filling Arrangement, the requirement as to Storage Duration of paragraph 2.3 will not apply in respect of the User's Storage Space ~~but the User will pay charges (in accordance with the Annual Storage Invitation) for the entitlement to withdraw and/or withdrawing gas under such arrangement~~ Capacity, unless such Storage Capacity was allocated to the User following an application made in response to an Annual Storage Invitation.

Insert the following as new paragraphs 2.9.3 to 2.9.9:-

2.9.3 The provisions of this Section Z (other than paragraph 6) shall apply to Tanker Filling Arrangements, provided that the terms applicable to the withdrawal of LNG from the relevant Transco LNG Storage Facility into road tankers shall be set out in an agreement ("Tanker Filling Agreement") between Transco LNG Storage and the User concerned.

2.9.4 Until the User has entered into a Tanker Filling Agreement with Transco LNG Storage, the User shall not be entitled to withdraw LNG from the relevant Transco LNG Storage Facility into road tankers.

2.9.5 "Tanker Filling Slot" means an allotted amount of time on a day during which a User may withdraw gas from an LNG storage facility and load such LNG onto a single road tanker filling to its maximum statutory road capacity or part thereof. An "Annual Tanker Filling Slot" is an entitlement, subject to paragraph 2.9.8, to use one Tanker Filling Slot per day during the Storage Year.

2.9.6 Transco may invite applications for Annual Tanker Filling Slots in the Annual Storage Invitation. Where a User wishes to apply for an Annual Tanker Filling Slot, it shall submit an application to Transco LNG Storage setting out:

(a) the identity of the User;

(b) the number of Annual Tanker Filling Slots applied for; and

such other information as the Annual Storage Invitation may require.

2.9.7 Where applications made for Annual Tanker Filling Slots exceed in aggregate the number of Annual Tanker Filling Slots available at the Transco LNG Storage Facility in question, then Transco LNG Storage allocate Annual Tanker Filling Slots to each User in the proportion that the number of Annual Tanker Filling Slots applied for by that User at the Transco LNG Storage Facility in question bear to the total number of the number of Annual Tanker Filling Slots applied for by all Users at the Transco LNG Storage Facility in question.

2.9.8 Tanker Filling Slots will not be available on days when the tanker filling equipment is undergoing maintenance, as such planned maintenance days are

set out in the Annual Storage Invitation. In addition to these planned maintenance days, Transco LNG Storage shall be entitled to give notice of up to five additional maintenance days within the Storage Year. Transco LNG Storage will give not less than two weeks notice of any changes to any planned (or additional) maintenance days. For each change to planned (or additional) maintenance days, where notification is not given within this period, Users will be entitled to compensation equal to 1/365th of the annual charge per allocated Tanker Filling Slot.

2.9.9 A User will pay:

- (a) the prices set out in the Transco Licence for the supply of Tanker Filling Arrangements prior to the Transco LNG Invitation Close Date for the Storage Year in question; and / or
- (b) the charges set out in the relevant Annual Storage Invitation for the supply of Tanker Filling Arrangements in accordance with paragraph 3.1

Amend paragraph 3.1.3(d) to read as follows:-

- (d) ~~not used~~ the Permitted Deliverability Overrun Charge Rate;

Amend paragraph 3.5.1 to read as follows:-

3.5.1 This paragraph 3.5 applies where the Annual Storage Invitation in respect of a Transco LNG Storage Facility was made under paragraph 3.1.2(b), and references in this paragraph 3.5 to Storage Capacity are references to Storage Space, Storage Injectability, Storage Deliverability or ~~both~~ any combination of them, as appropriate.

Amend paragraph 5.6.4 to read as follows:-

5.6.4 "...an amount calculated as:-

$$\{(C \div 183) * (U - F) \dots$$

Amend paragraph 5.7.2 to read as follows:-

5.7.2 "...shall be determined as:-

$$\{(C \div 183) * (U - F) \dots$$

Amend paragraph 6.1.2(b) to read as follows:-

- (b) subject to paragraph 7.2, gas at a rate in excess of its available withdrawal rate.....

Insert the following new paragraphs 6.2.9 and 6.2.10:-

6.2.9 Transco LNG Storage will determine the operational Standby State for each Transco LNG Storage Facility. Each Transco LNG Storage Facility will be held at the shortest withdrawal lead time on a day where at 16:00 hours on the previous Day, the conditions set out in the Annual Storage Invitation are satisfied.

6.2.10 Should Users require a particular facility to be brought to a shorter lead time that the prevailing one then they will be charged at the relevant rate shown in the Annual Storage Invitation unless, for the Day for which shorter lead time is requested, at any time between 16:00 hours on the previous Day and the end of the relevant Day, the conditions in 6.2.7 are satisfied, or the User withdraws gas from the facility on the Day.

Amend paragraph 7.1.1 to read as follows:-

7.1.1

- (a)

- (b)
 - (c)
 - (d) in respect of a User's Storage Withdrawal Nomination, the implied withdrawal rate exceeds the available withdrawal rate, and/or
 - (e) in respect of a User's Storage Injection Nomination, the implied injection rate exceeds the available injection rate;
- in accordance with paragraph 7.1.2.

Insert the following as new paragraph 7.1.2(c)(iii):-

- (iii) where the overrun is a Permitted Deliverability Overrun, the Charge Rate as specified within the Annual Storage Invitation;

Amend paragraph 7.2 to read as follows:-

7.2 ~~Not used~~ Permitted Deliverability Overruns

7.2.1 Subject to paragraphs 7.2.2 to 7.2.8 below and the provisions paragraph 6, a User will be permitted to submit a Storage Withdrawal Nomination (or a Storage Renomination in respect of such a Storage Withdrawal Nomination), pursuant to which the implied withdrawal rate exceeds the User's available withdrawal rate at the relevant Transco LNG Storage Facility.

7.2.2 A "Maximum Permitted Deliverability Overrun Level" shall be defined as the lesser of the aggregate of all Users' available withdrawal rates at that Transco LNG Storage Facility; or a rate that can be offered due to maintenance, other works or of which the Transco LNG Storage Facility is otherwise capable.

7.2.3 The "User Permitted Deliverability Overrun" shall be calculated as the User's implied withdrawal rate minus the User's available withdrawal rate at the relevant Transco LNG Storage Facility, except where the aggregate exceeds the Maximum Permitted Deliverability Overrun Level, when 7.2.5 shall apply.

7.2.4 Where in any hour a User has a nomination which entails a User Permitted Deliverability Overrun, the User shall pay a charge for each kWh of the User Permitted Deliverability Overrun (the "Permitted Deliverability Overrun Charge") to Transco LNG Storage.

7.2.5 Subject to the provisions of paragraph 6, where for any hour within the Gas Flow Day, the Maximum Permitted Deliverability Overrun Level is exceeded, each User Permitted Deliverability Overrun will be adjusted such that each of the following conditions is satisfied:

- (a) the aggregate implied withdrawal rate for all Users (pursuant to Storage Withdrawal Nominations or Storage Renominations in respect of such Storage Withdrawal Nominations) at that Transco LNG Storage Facility is equal to the Maximum Permitted Deliverability Overrun Level; and
- (b) a User Permitted Deliverability Overrun is not less than zero; and
- (c) the revised Users' Permitted Deliverability Overruns shall be in the same proportion to the User's Available Storage Deliverability but not greater than the User Permitted Deliverability Overrun before adjustment.

7.2.6 A User shall be notified of any modified Maximum Permitted Deliverability Overrun Level, as stated in 7.2.5, not later than 30 minutes before the relevant hour begins.

7.2.7 A User may request that its Storage Nomination Quantity be curtailed so that the User does not overrun beyond the User Permitted Deliverability Overrun.

7.2.8 Subject to paragraph 7.2.7, where a User submits a Storage Withdrawal Nomination (or any Storage Renomination of such Storage Withdrawal Nomination), which would result in a Storage Overrun Charge in accordance with 7.1.1 (d), Transco LNG Storage will use reasonable endeavours to adjust the User's Storage Withdrawal Nomination (or any Storage Renomination of such Storage Withdrawal Nomination) in order to allow the User to avoid such a charge. A User shall be notified of any such adjustment, not later than 30 minutes before the relevant hour begins.

Amend the heading of paragraph 9.1 to read as follows:-

9.1 ~~Transco LNG Storage Credit Agreement~~General

Amend paragraphs 9.1.1 and 9.1.2 to read as follows:-

9.1.1 ~~A User may not use a Transco LNG Storage Facility unless it is party to a credit agreement (a "Transco LNG Storage Credit Agreement") with Transco LNG Storage. Transco will, in accordance with the TLNGS Credit Rules, determine and assign to each User a Storage Credit Limit, and will keep each User informed of its Storage Credit Limit (as revised in accordance with TLNGS Credit Rules) for the time being.~~

9.1.2 ~~For the purposes of this Section Z, a Transco LNG Storage Credit Agreement shall set out the terms and conditions relating to the calculation of a User's Storage Indebtedness, the requirements as regards the provision by a User of security to Transco LNG Storage and the calculation and revision of a User's Storage Credit Limit and for the purposes of this paragraph 9 a User's "Storage Indebtedness" and "Storage Credit Limit" shall have the meaning given to such terms in the Transco LNG Storage Credit Agreement to which it and Transco LNG Storage are a party. The "TLNGS Credit Rules" are the rules from time to time established and revised by Transco LNG Storage and issued to Users setting out (inter alia):~~

~~(a) the principles on which Transco LNG Storage will assess and from time to time revise (in accordance with the TLNGS Credit Rules) its assessment of the credit-worthiness of Users (and persons providing surety for Users) and establish Storage Credit Limits;~~

~~(b) the basis on which a User may (with a view to increasing its Storage Credit Limit) provide surety or security for Storage Indebtedness, or (with a view to reducing its Storage Indebtedness) make prepayments to Transco LNG Storage;~~

~~(c) procedures by which a User may discuss its Storage Credit Limit with Transco LNG Storage.~~

Insert the following as new paragraphs 9.1.3 and 9.1.4:-

9.1.3 The TLNGS Credit Rules do not form a part of the Code and (but without prejudice to the further provisions of this paragraph or to anything done pursuant to the TLNGS Credit Rules) nothing in the Code shall make compliance with such rules an obligation of Transco LNG Storage or Users.

9.1.4 Nothing in the Code or the TLNGS Credit Rules shall constitute any duty of care or other obligation on the part of Transco LNG Storage (whether to or for the benefit of the User in question or Users in general) in relation to the implementation of the Storage Credit Rules or the provisions of this paragraph 9.

9.1.5 For the purposes of this paragraph 9:

(a) "Storage Credit Limit" is means an amount representing a User's maximum permitted Storage Indebtedness;

(b) "Storage Indebtedness" is

- (i) the aggregate amount for which the User is at any time liable to Transco LNG Storage pursuant to this Section Z, any Long Term Storage Arrangement and any Tanker Filling Arrangement determined on the basis of amounts accrued and irrespective of whether such amounts have been invoiced or (where invoiced) have become due for payment; less
- (ii) any amount which has been paid to Transco LNG Storage by the User by way of prepayment, on the basis that Transco LNG Storage may apply such amount without the User's consent in or towards payment of amounts referred to in paragraph (i), and which has not yet been so applied; less
- (iii) the amount of any invoices which are the subject of a bona fide dispute by the User in accordance with the terms of this Section Z, any Long Term Storage Arrangement and any Tanker Filling Arrangement;

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 **0723**, version **1.0** dated **23/12/2004**) 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.