

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0723
"LNG Annual Storage Invitation terms into Network Code"
Version 1.0

Date: 15/10/2004

Proposed Implementation Date: 25/02/2005

Urgency: Non-Urgent

Justification

Since the 2000/01 Storage Year, Transco LNG Storage ("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 Annual Storage Invitation ("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, current TLNGS Users have inconsistent credit terms and there are errors in Section Z text as a result of the implementation of modification proposal 0608.

Nature of Proposal

Incorporate Standard ASI Terms

TLNGS proposes to incorporate current standard ASI terms i.e. 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 LNG 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.

Purpose of Proposal

The incorporation of Standard ASI Terms into Network Code will reduce the administrative burden upon LNG Storage in creating the ASI and would expedite Users tender evaluation process. The ASI would then be a 'data' document, which is

consistent with a view expressed at PSS workstream for only relevant information to be issued in tender documentation.

The additional creation of TLNGS Credit Terms would create consistency in all relevant Users Credit Terms and the correction of errors in Section Z would ensure that the intent of modification proposal 0608 is applied.

Consequence of not making this change

TLNGS and Users would continue to have unnecessary administrative and evaluation processes associated with the ASI, relevant Users would be on inconsistent credit terms and the correct level of compensation would not be paid to Users in the event on an injection failure.

Area of Network Code Concerned

Section Z – Transco LNG Storage Facilities

Proposer's Representative

John Bradley (Transco)

Proposer

Richard Court (Transco)

Signature

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