

Draft Modification Report
Amendment to the Gas Quality NTS Entry Specifications for the North Morecambe
Terminal
Modification Reference Number 0266
Version 1.0

This Draft Modification Report is made pursuant to Rule 9.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

British Gas Trading Limited, as a shipper at the Barrow ASEP, in consultation with the Barrow delivery facility operator Hydrocarbon Resources Limited (HRL), proposes that the Wobbe Number (WN) which forms a part of the gas entry conditions at the North Morecambe NTS entry point be amended to reflect the WN limits contained in the Gas Safety (Management) Regulations. The table below specifies the proposed changes:

| Gas Quality Characteristic | Current Specification | Proposed Specification |
|-----------------------------------|------------------------------|-------------------------------|
| WN Lower Limit | 48.2MJ/ M ³ | 47.2MJ/M ³ |
| WN Upper Limit | 51.2 M ³ | 51.41MJ/M ³ |

The Proposer believes that if this Proposal is implemented it would allow the delivery facility operator the scope to process a wider range of offshore reserves and hence facilitate additional gas flows into the NTS, enhancing both security of supply and competition between gas shippers and suppliers.

The Proposer does not think that there would be any measurable impact on CV shrinkage or NTS system operation if this Proposal were to be implemented, however, we would welcome National Grid's views on these points.

By way of background, no Network Entry Agreement exists for North Morecambe. Rather, the gas entry specifications for North Morecambe have their origins in a contractual agreement that was in existence prior to the advent of Network Code. The arrangements at the time for any such agreements was that upon implementation of the Network Code, the gas quality specifications were to be incorporated into and governed by the section of code dealing with Gas Entry. In today's UNC, that is TPD section I.

2 User Pays

a) Classification of the Proposal as User Pays or not and justification for classification

This Proposal does not seek to introduce any new services, nor amend any existing services or processes. It is not envisaged that its implementation

should incur any costs, and the Proposer therefore classifies it as non-user pays.

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

Not applicable.

c) Proposed charge(s) for application of Users Pays charges to Shippers

Not applicable.

d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

Not applicable.

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

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

The Proposer believes that the implementation of this modification would better facilitate the achievement of the Relevant Objectives by increasing the efficient and economic operation of the system further to A11.1(a).

Standard Special Condition A11.1 (b): so far as is consistent with subparagraph (a), the coordinated, efficient and economic operation of

(i) the combined pipe-line system, and/ or

(ii) the pipe-line system of one or more other relevant gas transporters;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:

(i) between relevant shippers;

(ii) between relevant suppliers; and/or

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;

The Proposal will also enhance effective competition between relevant shippers by giving shippers bringing gas into the system through the Barrow facility, the potential to increase supplies, further to A11.1 (d) (i) and (ii).

Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

Implementation would not be expected to better facilitate this relevant objective.

4 The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

Implementation of this Proposal may have a marginal benefit upon security of supply by making available greater quantities of gas ahead of a gas supply emergency.

5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) Implications for operation of the System:

None identified.

b) Development and capital cost and operating cost implications:

None identified.

c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

Not applicable.

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

Not applicable.

6 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

It is not envisaged that the proposal will result in any change to the level of contractual risk to National Grid Gas.

- 7 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

No such implications identified.

- 8 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

Administrative and operational implications (including impact upon manual processes and procedures)

No such implications identified.

Development and capital cost and operating cost implications

No such costs identified.

Consequence for the level of contractual risk of Users

None identified.

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

No such consequences have been identified.

- 10 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal**

No such consequences have been identified.

- 11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

Advantages

As above.

Disadvantages

None identified.

- 12 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification**

Report)

Written Representations are now sought in respect of this Draft Report.

13 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

14 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

15 Programme for works required as a consequence of implementing the Modification Proposal

No programme of works would be required as a consequence of implementing the Modification Proposal.

16 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

Although there is no defined deadline for implementation of this Proposal, the Proposer is seeking the earliest possible implementation date and believes that 1 November 2009 should be achievable.

This Proposal could be implemented with immediate effect following direction from Ofgem.

17 Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

18 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

19 Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity

Markets Authority in accordance with this report.

20 Text

No change to the existing UNC text would be required if this Proposal was to be implemented.

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

For and on behalf of the Relevant Gas Transporters:

Tim Davis

Chief Executive, Joint Office of Gas Transporters