Introduction

Phoenix has prepared this report in accordance with section 8 of its Transmission Code Modification Rules.

1. Subject of Proposed Modification:

This modification is to amend the Phoenix Transmission Network Code to reflect the proposed changes made to the PTL (Modification Proposal 13) and BGE (NI) (Modification Proposal 4) Transportation codes.

The principle changes proposed relate to the introduction of the South North Transmission pipeline and associated offtake at Lisburn into the Postalised Network in Northern Ireland.

The modification also addresses minor typographical errors in the Code and a change in Phoenix Transmission’s bank account used for Network Code charges.

It is also proposed to make an amendment to the Gas Specification to ensure consistency between the Phoenix Transmission Code and the other Northern Ireland Network Operators Transportation Codes.

2. Proposed Text Amendments

The sections of the Transmission Code that require amendment (as detailed in the Initial Modification Report) are:

Section A:

   2.1 New Paragraph
   1.1 Renumbered and amended
   2 (c) and (d)
   2 (g) New Paragraph
2.2 New Paragraph

Section B:

7
7.1
7.2 (a) and (b)

7.3 (a)
7.5 (a)
7.8 (a)
8.1

Section D:

2.4
3.2 (b)

Section E:

5.1 (a) and (b)

The full proposed text amendments are listed in Appendix One.

3. Third Party Representation made:

In addition to Ofreg’s requirements, Phoenix received one comment to the Modification Proposal from Centrica. Centrica’s comments are attached below.

Phoenix Transmission Opinion:

In response to the specific issues of shipper behaviour, level of shrinkage and cross subsidy of one zone by another as raised by Centrica, Phoenix Transmission cannot provide any further information as the cost of balancing and shrinkage gas for the Phoenix Transmission pipeline is carried out by PTL on Phoenix Transmission’s behalf under the PTL Network Code. We therefore do not have access to charges incurred by Shippers on either the SNIP or North West pipeline to consider if cross subsidy issues exist and if shipper behaviour on one transmission pipeline is worse or better than another. However we believe as part of the streamlining process undertaken by the three pipelines operators in consultation with Ofreg that a significant amount of work has already been carried out to determine the benefits to Shippers in relation to balancing and in a recent communication from Ofreg to Shippers (email sent by Carl Hashim on 23rd January 2007) it was noted that
preliminary analysis had shown that ‘estimated savings from reduced gas balancing is £25k per annum’.

4. Likely Implementation Date:

1st April 2007

5. Impact on other Designated Pipeline Operator’s Network Codes:

The three DPOs have jointly developed the principles behind the introduction of the South North Pipeline and Lisburn offtake and have considered at all stages the impact on all three Transportation Network Codes. The Phoenix Transmission proposal has been developed to reflect proposed changes to both the PTL and BGE (NI) Transportations Codes, ensuring consistency between all three codes.
6. Operator's justification for implementation of proposal

As this modification proposal will amend the Phoenix Transmission Network Code to allow for the introduction of the South North Pipeline and associated offtake at Lisburn in to the Northern Ireland Postalised Network and maintain continuity between the Phoenix Transmission and the other DPO’s Transportation codes we believe the proposal achieves the Relevant Objective as set out in condition 2A.7 of the Phoenix Combined Licence.

As the amendment to the Gas Specification ensures consistency between all three Northern Ireland Transportation Network Codes, Phoenix Transmission believes that this also meets the Relevant Objective Licence requirement.

The minor drafting changes will aid clarification.
Appendix 1:

Proposed Text Amendments to the Transmission Network Code

SECTION A: THE SYSTEM

1.1 The "Phoenix System" means the Phoenix Owned System and, in the context of:

(a) the flow of gas into the distribution pipe-line owned and operated by Phoenix,
(b) the holding of capacity in respect of such gas flows,
the Lisburn Exit Point.

1.2 The "Phoenix Owned System" means the transmission pipe-lines between:

(a) Ballylumford and Torytown;
(b) Ballylumford and Larne;
(c) Torytown and Knocknagoney

owned and operated by Phoenix, the conveyance of gas through which is authorised by the Phoenix Licence.

1.3 The Phoenix System does not include any exit points at which gas may be offtaken from the Phoenix System for the purposes of supply directly to particular premises.

1.4 The Phoenix System does not include any compression or pressure enhancement capabilities.

2.1 For the purposes of the Code and in relation to the Phoenix System:

(a) the "Greater Belfast Exit Point" comprises each of the Individual Belfast Exit Points;
(b) the "Carrickfergus Exit Point" is the point at Carrickfergus at which gas can flow out of the Phoenix System and into the BGE (NI) System;
(c) an "Individual Belfast Exit Point" is one of the four points (which for the avoidance of doubt shall include the Lisburn Exit Point) at which gas can flow out of the Phoenix System and into a distribution pipe-line owned and operated by Phoenix, the conveyance of gas through which is authorised by the Phoenix Licence;
(d) "Individual Exit Point" means a point at which gas can flow out of the Phoenix System (which for the avoidance of doubt shall include the Lisburn Exit Point);
(e) the "Phoenix Entry Point" is the point at Ballylumford at which gas can flow into the Phoenix System and out of the PTL System;
(f) a "Phoenix Exit Point" is the Greater Belfast Exit Point and the Carrickfergus Exit Point;
the "Lisburn Exit Point" is the point at which gas can flow out of the BGE (NI) System and into a distribution pipe-line owned and operated by Phoenix, the conveyance of gas through which is authorised by the Phoenix Licence.

2.2 The Lisburn Exit Point is owned and operated by BGE (UK)L.

SECTION B: SYSTEM OPERATION

3.5 Where Phoenix is under an obligation in relation to the offtake of gas at the Lisburn Exit Point, performance of which is dependent on the proper performance by BGE(UK)L of its contractual obligations owed to Phoenix in respect of the delivery of gas to the Lisburn Exit Point, Phoenix will not be in breach of its obligations under the Code where it is unable to perform its obligations in full or in part by reason of the failure of BGE(UK)L.

7 Maintenance of the Phoenix Owned System

7.1 Phoenix shall maintain the Phoenix Owned System:

(a) in accordance with the provisions of the Code;
(b) to the standard of a Reasonable and Prudent Operator; and
(c) in accordance with all Legal Requirements.

7.2 For the purposes of the Code:

(a) "Maintenance" includes any inspection, repair, replacement, reinstatement, reinforcement, re-commissioning, upgrade or extension of any part of the Phoenix Owned System and includes any works preparatory to such maintenance or required for the return to service of a part of the Phoenix Owned System after such maintenance;
(b) "Maintenance Day" mean a Day, whether consecutive to another Maintenance Day or not, determined by Phoenix, in accordance with this paragraph 7, as a Day during which acceptance of gas for delivery to or making gas available for offtake from that part of the Phoenix Owned System as may be subject to maintenance may be reduced (if necessary down to zero) due to Maintenance on the Phoenix Owned System; and
(c) "Scheduled Maintenance" means Maintenance carried out during a Maintenance Day.

7.3 A Shipper shall provide Phoenix, as soon as reasonably practicable, with such information Phoenix may reasonably require to:

(a) plan the Maintenance of the Phoenix Owned System;
(b) comply with its obligations set out in paragraph 7.1; and
(c) prepare a Maintenance Programme.

7.5 Phoenix shall plan any Scheduled Maintenance to:
(a) minimise disruption to the Phoenix Owned System in as cost-effective, efficient and commercially prudent manner as is practicable; and

(b) co-ordinate it, where practicable, with the maintenance of the PTL System, the BGE (NI) System and the Phoenix Distribution System.

....

7.8 Phoenix shall be entitled to carry out Scheduled Maintenance on:

(a) 15 Maintenance Days at each Individual Exit Point, other than the Lisburn Exit Point, comprised in the Greater Belfast Exit Point;

(b) 3 Maintenance Days at the Carrickfergus Exit Point.

8.1 Where by the sole reason of the negligence or Wilful Misconduct of Phoenix, Phoenix fail to make gas available for offtake from the Phoenix Owned System at an Individual Exit Point other than the Lisburn Exit Point, Phoenix shall pay the relevant Shipper an amount calculated in accordance with paragraph 8.2.

SECTION D: ALLOCATION

2.4 For the purposes of paragraph 2.1.3 the quantity of gas which the Shipper is treated as having offtaken from the PTL System at each PTL Phoenix Exit Point comprised in the PTL Ballylumford Exit Point on such Day shall be the sum of the firm and interruptible quantities so allocated in accordance with the PTL Code.

3.2 For the purposes of the Code a Shipper's "Phoenix Daily Allocated Quantity" on a Day in relation to a Phoenix Exit Point shall be:

(a) except where paragraph (b) applies, a quantity of gas equal to the Shipper's PTL Daily Allocated Quantity on such Day at the PTL Phoenix Exit Point;

(b) where following an error in the Measurement Equipment at the Phoenix Exit Point, a quantity of gas equal to the Shipper's Adjusted PTL Daily Allocated Quantity on such Day at the relevant PTL Phoenix Exit Point.

SECTION E: ENTRY AND EXIT REQUIREMENTS

5.1 Subject to paragraphs 5.2 and 5.3, Phoenix shall make available gas for offtake at an Individual Exit Point on a Day at a pressure equal to:

(a) in respect of an Individual Exit Point other than the Lisburn Exit Point

   i. the pressure at which gas was made available by PTL for offtake from the PTL System at the PTL Ballylumford Exit Point on such Day; less

   ii. the Agreed Pressure Drop applying in respect of such Day in respect of the Phoenix Exit Point as set out in the prevailing Pressure Report;
(b) in respect of the Lisburn Exit Point, the pressure at which gas was made available by BGE(UK)L for offtake from the BGE (NI) System at the Lisburn Exit Point.

### Annex E-1 Gas Specification

**ANNEX E-1**

**GAS SPECIFICATION**

<table>
<thead>
<tr>
<th>Composition/Specification</th>
<th>Range/Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wobbe Index</td>
<td>47.2 – 54.7 Mj per cubic Metre</td>
</tr>
<tr>
<td>Gross Calorific Value</td>
<td>36.9 – 42.3 MJ per Cubic Metre</td>
</tr>
<tr>
<td>Relative Density</td>
<td>0.55 – 0.70</td>
</tr>
<tr>
<td>Hydrocarbon Dewpoint (maximum °C for specified maximum pressure)</td>
<td>&lt; - 2°C up to and including 150 bar</td>
</tr>
<tr>
<td>Water Dewpoint (maximum °C for specified maximum pressure)</td>
<td>&lt; - 10°C up to and including 150 bar</td>
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<tr>
<td>Fog, Dust and Liquids</td>
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<tr>
<td>Oxygen</td>
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<tr>
<td>Non-combustibles</td>
<td>7%</td>
</tr>
<tr>
<td>Total Sulphur</td>
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<tr>
<td>Mercaptan Sulphur</td>
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<tr>
<td>Hydrogen Sulphide</td>
<td>5 mg/m³</td>
</tr>
</tbody>
</table>
SECTION F: CHARGES, PAYMENT AND TAX

8.3 All payments made under the Code to:

....

(b) Phoenix's account shall be made in Pounds Sterling by direct bank transfer or equivalent instantaneous transfer of funds to such account, as from time to time, notified in writing by Phoenix.

SECTION J: GENERAL

7.13 Where a Shipper ceases to be bound by the Framework Agreement pursuant to paragraphs 7.5, 7.10 and 7.11 the following payments shall immediately fall due and payable by the relevant Shipper (and the "Due Date" in relation to such payments shall for the purposes of the Code be the date of termination):

....

(b) ....

(iii) ....

(1) Phoenix's estimate of the amount (if any) by which it shall be able to mitigate the loss referred to in (iii) above;

(2) inflation (which shall be assumed to continue at the rate of RPI at the date of termination);

(3) any change in the PS Transmission Amounts to reflect any change in the capacity/commodity split of the tariff; and

(4) the net present value of the amount payable at LIBOR,

provided that, for the avoidance of doubt, in relation to a Transit Shipper, only amounts referred to in paragraph 7.14(a)(ii) shall fall due and payable by that Transit Shipper.

SECTION K: DEFINITIONS

1 Definitions

In addition to the terms defined elsewhere in the Code, the following terms and expressions shall have the following meanings in the Code:

....

"BGE (NI) System" means the transmission pipe-line and connected facilities owned and operated by BGE(UK)L and connected to the Phoenix Owned System at the Carrickfergus Exit Point;

....