

Stage 01: Proposal

0358:

I&C Compensation for Emergency Interruption

This modification proposes to make changes to the I&C compensation for sites that have their supply interrupted in an emergency.



The Proposer recommends
Modification is sent to the Distribution Workgroup for assessment



High Impact:
Consumers, Gas Transporters



Medium Impact:
Shippers



Low Impact:
Transporters' Agent

What stage is this document in the process?

01

Proposal

02

Workgroup Report

03

Draft Modification Report

04

Final Modification Report



0358

Modification

18 January 2011

Version 1.0

Page 1 of 12

© 2011 all rights reserved

Contents

- 1 Summary
- 2 Why Change?
- 3 Solution
- 4 Relevant Objectives
- 5 Impacts and Costs
- 6 Implementation
- 7 The Case for Change
- 8 Recommendation

About this document:

This document is a proposal, which will be presented by the Proposer to the Panel on 17 February 2011. The Panel will consider the Proposer's recommendation, and agree whether this modification should proceed to consultation or be referred to a Workgroup for assessment.



3 **Any questions?**

4 Contact:

5 **Joint Office**



6 enquiries@gasgovernance.co.uk



10 **0121 623 2115**

11 Proposer:

12 **Richard Street**



Richard.street@coronaenergy.co.uk



07920803271

Transporter:



xoserve:



Commercial.enquiries@xoserve.com



0358

Modification

18 January 2011

Version 1.0

Page 2 of 12

© 2011 all rights reserved

1 Summary

Is this a Self Governance Modification

This modification does not meet the self governance criteria.

Why Change?

Currently firm NDM I&C gas consumers receive a flat rate of compensation if they are interrupted of £50 per day. They receive nothing if this interruption occurs under a declared national emergency. Customers and suppliers are concerned that this compensation is not reflective at all of the impact on consumers of interruption occurring.

While Gas Transporters have a safety case that ensures they operate the networks safely there are no significant commercial incentives on the Gas Transporters to minimise the number and impact of interruptions on consumers.

From this October the number of interruptible customers will significantly decrease. Many industry participants, including shippers, suppliers and customers, believe this will increase the likelihood of large firm sites being interrupted such that it is important to establish appropriate compensation arrangements.

Solution

It is proposed that the level of compensation is increased to 100% of the annual capacity charges per day of interruption that a firm site experiences. This will apply in any [emergency] unplanned situation where the customer loses their supply.

Cost

We would not expect significant costs for the implementation of this modification. The ongoing cost of compensation would be met by the Gas Transporters and would be dependent on the number of interruption events involved.

Implementation

We propose that this modification be implemented by 1 October 2011 or immediately following a decision to implement if received after 1 October 2011.

The Case for Change

This would provide an incentive on the Gas Transporters to minimise the number and duration of interruptions called by the Gas Transporters.

Recommendations

We propose that this modification be sent to the Distribution Workgroup in order it to be assessed.



What is a firm I&C gas consumer

An Industrial and Commercial gas consumer with transportation arrangements which do not give the gas transporter a right under normal circumstances to interrupt the site. However, some of these customers may be supplied on terms that allow for interruption by their Shipper/Supplier.

2 Why Change?

Currently firm NDM I&C gas consumers receive compensation at a flat rate if they are interrupted by their Gas Transporter of £50 per day. They receive nothing if this interruption occurs under a declared national emergency. Customers and suppliers are concerned that this compensation is not reflective at all of the impact on consumers of unplanned interruption occurring.

While Gas Transporters have a safety case that ensures they operate the networks safely there are no significant commercial incentives on the Gas Transporters to minimise the number and impact of interruptions on consumers.

From this October the number of interruptible customers will significantly decrease. Many industry participants, including shippers, suppliers and customers, believe this will increase the likelihood of large firm sites being interrupted. The change in likelihood of firm sites being interrupted makes it important to ensure both that the Gas Transporters face appropriate incentives to avoid interruption and that customers benefit from compensation which is more reflective of the costs imposed on them.

0358

Modification

18 January 2011

Version 1.0

Page 4 of 12

© 2011 all rights reserved

3 Solution

It is proposed that the level of compensation is increased to 100% of the annual LDZ capacity charges per day of interruption that a firm site experiences if connected to a Distribution network, and 100% of the annual NTS Exit Capacity Charge per day of interruption if connected to the NTS. This will apply in any [emergency] unplanned situation where the customer loses their supply.

0358

Modification

18 January 2011

Version 1.0

Page 5 of 12

© 2011 all rights reserved

4 Relevant Objectives

The Proposer believes that implementation will better facilitate the achievement of **Relevant Objectives a, b , and d (iii)**.

Proposer's view of the benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Yes
b) 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.	Yes
c) Efficient discharge of the licensee's obligations.	No
d) 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.	Yes
e) 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.	No
f) Promotion of efficiency in the implementation and administration of the Code	No

Achievement of Relevant Objective (a)

By increasing the cost to Gas Transporters of interrupting consumers it will incentivise the Gas Transporters to ensure that they operate the pipe-line system in such a way that minimises the risk of interruption occurring and also the time to reinstate supply.

Achievement of Relevant Objective (b) (i&ii)

By increasing the cost to Gas Transporters of interrupting consumers it will incentivise the Gas Transporters to ensure that they operate their pipe-line systems in such a way that minimises the risk of interruption occurring and also the time to reinstate supply. It will also encourage them to make investments in their systems to minimise interruptions from occurring.

Achievement of Relevant Objective (d) (iii)

Adequately compensating customers for the inconvenience caused by interruption will allow Gas Transporters to gain a competitive advantage by addressing security of supply issues adequately.

0358

Modification

18 January 2011

Version 1.0

Page 6 of 12

© 2011 all rights reserved

5 Impacts and Costs

Costs

We would expect that this modification would be implemented at minimal cost. Any additional costs of compensation would be met 100% by the Gas Transporters.

Impacts

This change will increase consumer confidence in the Gas Transporters assurances that they can deliver firm capacity to currently interruptible customers. It will also increase the confidence of firm customers that the reduction of the number of interruptible customers will not result in increased use of emergency powers and firm load shedding.

Indicative industry costs – User Pays
Classification of the proposal as User Pays or not and justification for classification
A User Pays Service is not proposed
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
All costs will be recovered from Gas Transporters
Proposed charge(s) for application of Users Pays charges to Shippers
None
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	TBC
Operational Processes	TBC
User Pays implications	TBC

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	TBC
Development, capital and operating costs	TBC
Contractual risks	TBC

0358

Modification

18 January 2011

Version 1.0

Page 7 of 12

© 2011 all rights reserved

Impact on Users	
Legislative, regulatory and contractual obligations and relationships	TBC



Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:
<http://www.gasgovernance.com/networkcodearchive/551-575/>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	TBC
Development, capital and operating costs	TBC
Recovery of costs	TBC
Price regulation	TBC
Contractual risks	TBC
Legislative, regulatory and contractual obligations and relationships	TBC
Standards of service	TBC

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	TBC
UNC Committees	TBC
General administration	TBC

Impact on Code	
Code section	Potential impact
TBC	TBC

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	TBC
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	TBC
Storage Connection Agreement (TPD R1.3.1)	TBC
UK Link Manual (TPD U1.4)	TBC

0358
Modification

18 January 2011

Version 1.0

Page 8 of 12

© 2011 all rights reserved

Impact on UNC Related Documents and Other Referenced Documents	
Network Code Operations Reporting Manual (TPD V12)	TBC
Network Code Validation Rules (TPD V12)	TBC
ECQ Methodology (TPD V12)	TBC
Measurement Error Notification Guidelines (TPD V12)	TBC
Energy Balancing Credit Rules (TPD X2.1)	TBC
Uniform Network Code Standards of Service (Various)	TBC

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	TBC
Gas Transporter Licence	TBC

Other Impacts	
Item impacted	Potential impact
Security of Supply	TBC
Operation of the Total System	TBC
Industry fragmentation	TBC
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	TBC

0358

Modification

18 January 2011

Version 1.0

Page 9 of 12

© 2011 all rights reserved

6 Implementation

We propose that this modification is implemented on 1 October 2011 or immediately following direction if a decision is received after 1 October 2011.

0358

Modification

18 January 2011

Version 1.0

Page 10 of 12

© 2011 all rights reserved

7 The Case for Change

In addition to that identified the above, the Proposer has identified the following:

Advantages

Provides an incentive on Gas Transporters to ensure Security of Supply to customers.

Provides a more commercial and realistic level of protection to customers who are interrupted than the current regime.

Ensures customers are not paying for a service they are not receiving.

Disadvantages

None yet identified

0358

Modification

18 January 2011

Version 1.0

Page 11 of 12

© 2011 all rights reserved

8 Recommendation

The Proposer invites the Panel to:

- DETERMINE that Modification 0358 progress to the Distribution Workgroup for assessment.

0358

Modification

18 January 2011

Version 1.0

Page 12 of 12

© 2011 all rights reserved