

## Stage 01: Proposal

# 0370:

## Continuation of CV determination by National Grid Transmission on behalf of DNOs.

This Proposal would allow the continuation of a service, which is currently being undertaken by National Grid Transmission (NGT) on behalf of Distribution Network Operators. The Service currently has an expiry date of 31<sup>st</sup> March 2007. It would also permit NGT to withdraw from the service with the correct notice to the relevant parties.



The Proposer recommends  
This Modification Proposal should follow the self governance route on the basis that it meets the self-governance criteria set out in the Licence.



High Impact:  
N/A



Medium Impact:  
N/A



Low Impact:  
National Grid Transmission & Distribution Network Operators.

What stage is this document in the process?

- 01 Proposal
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

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Modification

04 March 2011

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## About this document:

This document is a proposal, which will be presented by the Proposer to the Panel on 17 March 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?**

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# 1 Summary

## Is this a Self Governance Modification

National Grid Gas Distribution (NGD) believes that this Proposal is a candidate for self governance since implementation would be unlikely to have a material effect on either:

existing or future gas consumers; or

competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; or

the operation of one or more pipe-line system(s); or

matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; or

the uniform network code governance procedures or the network code modification procedures;

We also believe implementation would not discriminate between different classes of parties to the uniform network code/relevant gas transporters, gas shippers or DN operators.

Consequently, we request that this Proposal is treated as a Self Governance Modification Proposal.

## Why Change?

The basis on which National Grid Gas Transmission (NGT) will determine daily calorific values (CVs) on behalf of each DNO is detailed in the Offtake Arrangement Document Section F. The arrangement has an expiry date of 31<sup>st</sup> March 2007, which has now lapsed. The original clause contained provisions allowing any DNO to elect to determine daily CVs itself. It is not proposed to change this clause. It is however proposed to add a clause which allows NGT to terminate the arrangements upon not less than six months notice which provides protection for all parties.

## Solution

At this point NGT has agreed to continue the service of determining the daily average flow weighted CVs for all DNOs and the purpose of this Modification Proposal is to facilitate the continuation of that service provision and to provide clarity to with regards to all parties' rights to withdraw from the service.

## Impacts & Costs

The Modification Proposal if implemented would remove the existing end date from Offtake Arrangements Document Section F 1.1.1 and facilitate the continuation of service provision by NGT. Whilst a Modification Proposal is required to give effect to this change the Proposer does not believe that there would be any impact on Users

## Implementation

The Proposer does not believe this to be an urgent matter and implementation could be effective immediately following direction from Ofgem.

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## The Case for Change

Whilst the UNC does not currently prevent NGT from undertaking this service on behalf of DNOs, due to the existence of the date in OAD Section F 1.1.1 (c) which has long since expired the Proposer believes that this could cause confusion.

NGD believes that this Proposal is consistent with the achievement of the following relevant objective:-

A11.1 (f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code. It would add clarity to the contractual terms by removing a date which has long since passed. The use of a single source provider for the determination of daily CV's offers some efficiency advantages versus each DNO undertaking the process in isolation. The addition of a clause allowing NGT to withdraw from the service, with a suitable minimum notice period, provides adequate protection for all parties.

## Recommendations

1. This Modification Proposal should follow the self governance route on the basis that it meets the self-governance criteria set out in the Licence:

(i) is unlikely to have a material effect on:

- (aa) existing or future gas consumers; and
- (bb) competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and
- (cc) the operation of one or more pipe-line system(s); and
- (dd) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
- (ee) the uniform network code governance procedures or the network code modification procedures; and

(ii) is unlikely to discriminate between different classes of parties to the uniform network code/relevant gas transporters, gas shippers or DN operators.

The proposal has been tabled at the Offtake Arrangements Workstream on several occasions and no issues were raised. As such, the Proposer considers that it is now in a suitable form to proceed through the self governance route.

## 2 Why Change?

In accordance with part 4A of the Gas (Calculation of Thermal Energy) Regulations, each Distribution Gas Network Operator (DNO) has the responsibility of obtaining and determining the daily average flow weighted calorific value of the gas transported within its charging area. At the time of network separation this activity remained with National Grid Gas Transmission (NGT). The basis on which NGT will determine daily calorific values (CVs) on behalf of each DNO is detailed in the Offtake Arrangement Document Section F. This arrangement currently has an expiry date of 31<sup>st</sup> March 2007, written into the existing contractual terms.

The UNC does not currently prevent NGT from undertaking this service on behalf of DNOs. However, due to the existence of the date in OAD Section F 1.1.1 (c) which has long since expired, the Proposer believes that this could cause confusion as it suggests that NGT may no longer undertake the activity. This Proposal will remove this expired date and facilitate the continuation of existing arrangements.

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## 3 Solution

It is proposed that the Offtake Arrangements Document (section F) be modified in line with the legal text which has been tabled at the Offtake Arrangements Workstream. This would facilitate the continuation of the existing service whilst allowing NGT to withdraw from the service with notice to the relevant parties. Suggested text as follows:

### UNIFORM NETWORK CODE – OFFTAKE ARRANGEMENTS DOCUMENT SECTION F DETERMINATION OF CALORIFIC VALUE

#### 1 General

##### 1.1 Introduction

- 1.1.1 This Section F sets out:
- (a) provisions for the avoidance or minimisation of CV shrinkage;
  - (b) terms for the provision by one Party to another of data for the purposes of determining daily CVs;
  - (c) the basis on which National Grid NTS will ~~until 31 March 2007~~ determine daily CVs on behalf of each DNO.

#### 4 ~~Transitional~~ Arrangements for Determination of Daily CVs

##### 4.1 Determination of Daily CVs

- 4.1.1 *Subject to paragraphs 4.1.2 and 4.1.3*, National Grid NTS agrees to determine daily CVs for each charging area within the area of the DNO's System on behalf of each DNO.
- 4.1.2 *National Grid NTS may elect to terminate the arrangements described in this paragraph 4 upon not less than 6 months' notice to each DNO, which notices shall be irrevocable. Upon the expiry of each such notice the relevant DNO shall itself determine daily CVs for the charging areas within the area of its DNO System and (subject to paragraph 3) National Grid NTS shall have no responsibility to any DNO in connection with such determination.*
- 4.1.3 *Until such time as notice has been served by National Grid NTS in accordance with paragraph 4.1.2*, nothing in this Document shall prevent any DNO from electing itself to make determinations of daily CVs, provided that the DNO shall give notice of such election to National Grid NTS specifying the date (not being less than 6 months after such notice) with effect from which it intends to do so, which notice shall be irrevocable.

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## 4 Relevant Objectives

The Proposer believes that implementation will better facilitate the achievement of **Relevant Objectives a, b, c, d, e and f.**

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.	None
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.	None
c) Efficient discharge of the licensee's obligations.	None
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.	None
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.	None
f) Promotion of efficiency in the implementation and administration of the Code	Yes

National Grid Distribution believes that this proposal is consistent with the achievement of the following relevant objective:-

A11.1 (f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.

It would add clarity to the contractual terms. The use of a single source provider for the determination of daily cv's offers some efficiency advantages versus each DNO undertaking the process in isolation. The addition of a clause allowing NGT to withdraw from the service, with a suitable minimum notice period, provides adequate protection for all parties.

## 5 Impacts and Costs

### Impacts

There are no industry implementation costs.

Indicative industry costs – User Pays	
Classification of the proposal as User Pays or not and justification for classification	
There are no User pays aspects to this Proposal.	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
N/a	
Proposed charge(s) for application of Users Pays charges to Shippers	
N/a	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve	
N/a	
Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> <li>None</li> </ul>
Operational Processes	<ul style="list-style-type: none"> <li>Continuation of existing service</li> </ul>
User Pays implications	<ul style="list-style-type: none"> <li>None</li> </ul>

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> <li>None</li> </ul>
Development, capital and operating costs	<ul style="list-style-type: none"> <li>None</li> </ul>
Contractual risks	<ul style="list-style-type: none"> <li>None</li> </ul>
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> <li>None</li> </ul>

Impact on Transporters	
Area of Transporters' business	Potential impact

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Impact on Transporters	
System operation	<ul style="list-style-type: none"> <li>• None</li> </ul>
Development, capital and operating costs	<ul style="list-style-type: none"> <li>• None</li> </ul>
Recovery of costs	<ul style="list-style-type: none"> <li>• None</li> </ul>
Price regulation	<ul style="list-style-type: none"> <li>• None</li> </ul>
Contractual risks	<ul style="list-style-type: none"> <li>• Contractual clarity would be achieved by removing an historical date and facilitating the continuation of a service.</li> </ul>
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> <li>• As above</li> </ul>
Standards of service	<ul style="list-style-type: none"> <li>• None</li> </ul>

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> <li>• None</li> </ul>
UNC Committees	<ul style="list-style-type: none"> <li>• None</li> </ul>
General administration	<ul style="list-style-type: none"> <li>• None</li> </ul>

Impact on Code	
Code section	Potential impact
UNC Offtake Arrangements Document Section F	Changes as identified in Section 3.

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	None
Storage Connection Agreement (TPD R1.3.1)	None
UK Link Manual (TPD U1.4)	None
Network Code Operations Reporting Manual (TPD V12)	None

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Impact on UNC Related Documents and Other Referenced Documents	
Network Code Validation Rules (TPD V12)	None
ECQ Methodology (TPD V12)	None
Measurement Error Notification Guidelines (TPD V12)	None
Energy Balancing Credit Rules (TPD X2.1)	None
Uniform Network Code Standards of Service (Various)	None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None
Gas Transporter Licence	None

Other Impacts	
Item impacted	Potential impact
Security of Supply	None
Operation of the Total System	None
Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	None

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## 6 Implementation

Implementation can become effective immediately following Ofgem direction.

## 7 The Case for Change

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

### Advantages

1. Facilitates the continuation of mutually acceptable existing arrangements.

### Disadvantages

None identified.

## 8 Recommendation

The Proposer invites the Panel to:

- DETERMINE that Modification 0370 should follow the self governance route on the basis that it meets the self-governance criteria set out in the Licence. The proposal for NGT to continue determining CVs on behalf of DNOs has been tabled at the Offtake Arrangements Workstream and no issues were raised. As such, the Proposer considers that it is now in a suitable form to proceed through the self governance route.