

TRANSCO WORKSTREAM REPORT

"Introduction of a Within Day Entry Profiling Charge"

Version 1.0

1 Background

Transco has observed an increase in within day NTS linepack variations since the introduction of the Reform of the Gas Trading Arrangements (RGTA). Such variations have arisen from an increased divergence between the rate at which gas is input to and offtaken from the NTS.

Transco is concerned that if the current trend towards increased flow variations at NTS entry points continues, this may necessitate an increase in system balancing actions to prevent within day linepack exceeding acceptable operational limits. Such actions might generate additional costs that, under the current regime, would be smeared to all Users and would not necessarily be targeted at those Users generating such costs.

Transco therefore raised Modification Proposal 0512. The December 2001 Network Code Modification Panel referred the proposal to the Energy and Capacity Workstream. This report has been written to update the Modification Panel of the discussions that have taken place.

2 Description of the Modification Proposal

The Proposal was formulated to encourage Users to deliver gas into the NTS at closer to uniform flow rates. This might be achieved by a different targeting of costs incurred in managing within day NTS linepack variations. The Proposal advocates allocation of such costs to those Users that might be considered to have gas flows onto the NTS at flow rates other than 1/24th of the end of day quantities.

Three broad steps were proposed that might be required to implement such an approach:

- i) Identifying the volumes of gas that would face the system balancing costs;
- ii) Calculation and identification of system balancing costs;
- iii) The method of attribution to each User.

3 Workstream Discussion

Transco presented an overview of the Proposal at the Workstream meetings on 10th and 17th January 2002. These highlighted the concerns that had led to the Proposal, and the proposed methodology for deriving the entry profiling charges.

Transco concerns and supporting evidence

The Workstream was not convinced that Transco's concerns were significant, particularly in light of the reduction in balancing costs over recent years. Transco therefore presented

further analysis of the extent of within day NTS linepack variations. Transco considered that a primary driver for the increased linepack variation was the increased disparity between the end of day forecast supply and demand observed since the introduction of RGTA.

The Workstream requested that Transco identify the main contributors to within day linepack variation to attempt to understand the primary cause of the problem before developing a solution that focuses on entry flows. Transco subsequently presented at several Workstream meetings further requested analysis. This included consideration of gas pricing issues, Transco balancing actions and offtake flow rate variations at both direct NTS offtakes and NTS/LDZ interface. After consideration of the evidence, Transco concluded that entry flow rate variations occur in excess of what would be expected as a result of demand changes, and are therefore outwith requirements considered when designing, building and planning the operation of the system. However many participants remain unconvinced that a problem exists without further quantification of the extent of linepack depletion and the potential cost impact.

Improved cost targeting

Although the Workstream supported the principle of better cost targeting, many participants did not believe that this would be achieved by the Proposal. It was suggested that the Proposal was discriminatory as a User could be penalized, despite flowing uniformly, if other Users profiled their deliveries at the same entry point. Transco explained that under the current regime the costs of any actions taken to address within day NTS linepack variations would be apportioned across Users in line with their proportion of system throughput. A User could therefore incur costs as a result of the behaviour of other Users at entry points at which it did not flow. Transco suggested that the Proposal would allocate costs to the appropriate entry points at which such costs were generated, and thus would facilitate improved cost targeting.

Beneficial/adverse flow rate changes

The Workstream questioned the rate at which deliveries should flow into the NTS to be consistent with NTS design principles. Transco clarified that the NTS was designed on the assumption that gas would flow in line with the “uniform flow rate principle”. This would imply gas flows at the start of the day of approximately hourly flows of $1/24^{\text{th}}$ of the projected demand at that time, and as demand projections change, rates to be appropriately modified consistent with this principle.

The Workstream debated whether there would be an increase in costs if Users delivered gas at exactly $1/24^{\text{th}}$ of their end of day quantities, and whether flow rate variations that might be considered beneficial in respect of system management would also be penalised by the Proposal. Transco suggested that, although the Proposal, as initially formulated, does not distinguish between “beneficial” and “adverse” flow rate variations, the Workstream could seek to refine the scheme to identify the two types of flow rate changes so that potential charges may be more appropriately targeted.

Interaction with Review Proposal 0513

Many participants expressed the view that development of the Proposal should be discussed as part of the Review Proposal 0513. Transco responded that, although linepack and entry flow variations would potentially be covered by the Review, it should not prevent the industry from introducing short term changes to address identified concerns whilst longer term solutions are being debated.

Definition of System Balancing Costs

Transco proposed two options for the definition of the system balancing costs that would be allocated to Users based on their proportion of the aggregate profiled volume. Discussion focused on the merits of applying the second option, a trade tagging methodology. Several participants expressed concern that this approach was believed to be flawed within the New Electricity Trading Arrangements (NETA), however it was pointed out that, although the methodology was not considered perfect, it was agreed within the Balancing and Settlement Code Modification process to improve cost targeting.

Provision of Information

The Workstream questioned the source and accuracy of the hourly volume data that would be required by the Proposal for each NTS entry point. Transco explained that it currently received such data from the Delivery Facility Operator, however it did not receive the potential revisions to the data arising from after the day measurement validation. Transco informed the group that it would be necessary to explore options by which it might obtain such data and the associated data accuracy.

4 Workstream Recommendations

The majority view of the Workstream was that it was not appropriate to consider this Proposal in isolation from other contributors to linepack variation, specifically NTS connections and gas flows across the NTS/LDZ interface.

The Workstream have therefore requested that further development of this Proposal is undertaken in parallel with the Review Proposal 0513. This would imply that a report on the development of this Proposal is tabled at the August 2002 Modification Panel.