

Draft Modification Report
Extension of Partial Interruption Service to DM CSEPs
Modification Reference Number 0485
Version 3.0

This Draft Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

The Modification Proposal aims to provide for partial interruption services at Daily Metered Connected System Exit Points (DM CSEPs).

In providing such a service, it is proposed that the following business rules would apply:

1. Tranche Quantities

- The rules on tranche quantities, such as the number of tranches per supply point and the limits of each tranche annual quantity, would be consistent with those contained in the Network Code for supply points.
- The details of the tranche quantities and tranche percentages for a particular DM CSEP would be the same for all CSEP Users and agreed at the exit point level, rather than shipper supply point level.
- At registration stage, the details of the tranche quantities would be submitted by the CSEP Agent and signed by all CSEP Users.
- Any requests for changes to the tranche quantity details would be submitted by the CSEP Agent only and signed by all CSEP Users.

2. Role of CSEP Agent

- The Network Code currently provides for the appointment of allocation agents at DM CSEPs containing more than one CSEP User operates.

Where DM CSEPs contain only one CSEP User, then that User would be responsible for the requirements expected of the Agent.

- Although partial interruption requires within-day monitoring of gas flows where interruption has been called, at DM CSEPs the CSEP Agent would not be required to provide within-day allocations as Transco would only be required to monitor within-day flows on an aggregate basis. (Section 3 below)

- The CSEP agent, acting on behalf of the Users, would have responsibility for the following areas (not exhaustive) :

- a) requesting and confirming partial interruption service details
- b) requesting and confirming changes to tranche quantities
- c) the provision of daily allocations between Users to Transco to permit allocation of FTI charges (where > 1 Users)

Transco would not act on the instructions of an individual CSEP User within a DM CSEP where more than one CSEP User is registered.

3. Failure-to-Interrupt (FTI) Rules

- The rules on FTI and FTI charges would be consistent with the existing principles applying at single supply points with partial interruption and any specific rules contained within the relevant Ancillary Agreements.

- The verification as to whether a FTI has been triggered on an hourly or within-day basis, for any number of tranches, would be based on SHQ (supply point hourly quantity) tranche quantities on an aggregate basis rather than each Users' individual SHQ values.

- Where a DM CSEP contains a firm and interruptible User, the principles in Network Code (G 1.7.13 ii) would apply such that a FTI would only be deemed to have been triggered on an hourly basis in respect of the hourly quantity that exceeds the firm hourly allowance.

- Where the FTI has been triggered for any number of tranches, either on an hourly basis or end of day basis, Transco would calculate the FTI charges in aggregate. The agent, where appointed, would provide allocations to Transco to allow the allocation of any FTI charges between CSEP Users.

- In the event that the agent fails to provide Transco instructions for the allocation of any FTI charges, default allocation rules would apply consistent with those set out in the

Network Code (G 1.7.13) and the relevant Ancillary Agreement for the purposes of end of day allocations at the DM CSEP.

4. Interruption Notices

- Consistent with existing arrangements for supply points and DM CSEPs, interruption notices would be submitted to both the CSEP Agent and the CSEP Users of the DM CSEP.

5. Transportation Charges

- Existing Network Code rules provide for charging for administration of the partial interruption service. At present, the administration charge for partial interruption is set at zero.

6. Partial Interruption Agreement

- Where there is to be a change to the details of a partial interruption agreement, such as an additional User, a withdrawing User, or a change to the tranche details, the Agent or User (as appropriate) would re-apply in accordance with the partial interruption application rules. In respect of requests for changes in the Registered Users, if no re-application is received by Transco by the date the change in User takes effect then the partial interruption status would cease.

- The existing timescales set out in the Network Code and the relevant Ancillary Agreement for the registration of a partial interruption service and the registration of DM CSEPs would continue to apply.

- All Users would be signatories to any partial interruption agreement at a DM CSEP and any liabilities would be joint.

2. Transco's Opinion

Transco is in support of this Modification Proposal. Currently the Network Code provides for Partial Interruption at Interruptible Supply Points. However, this service is not available at DM CSEPs.

Transco believes there would be merit in removing this differentiation such that DM CSEPs should be eligible for partial interruption services on the same basis as single

Supply Points. This proposal is consistent with Modification Proposal 0473, which Transco has previously raised to propose the extension of Partial Interruption to Shared Supply Meter Points.

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

The proposed extension of the partial interruption service should help achieve a closer match between interruption notices issued and the actual requirement for a reduction in the amount of gas offtaken. This should help optimise the way Transco manages potential transportation constraints, thus furthering the efficient and economic operation of the pipeline system.

The proposal would also be beneficial to consumers since they may be able to continue operations at a lower level, rather than ceasing production, thus allowing more economic decisions to be made by the User. Hence, the proposal should further facilitate competition between shippers and between suppliers at DM CSEPs.

**4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:**

The proposal should allow actual levels of interruption to be closer to the required levels of interruption, thus avoiding the potential of interrupting at levels in excess of those required to relieve a transportation constraint.

b) development and capital cost and operating cost implications:

Development and capital costs arising from implementation of this proposal are expected to be minimal and there would be no anticipated increase in operating expenditure.

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

The costs of system development would be met from allowed revenues for such purposes.

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

There are not expected to be any consequences on price regulation.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal

Transco does not envisage any change in the level of contractual risk it faces under the Network Code as a consequence of implementing the Modification Proposal.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

If approved, implementation of this Modification Proposal would require development to the SC95 system which is used by System Operations to manage the interruption process. Amendments would also be required to the documentation associated with the interruption process, including the process flow diagrams, high level procedures, working instructions and the interruption brochure.

Transco is unaware of any development implications for the computer systems of Users.

7. The implications of implementing the Modification Proposal for Users

Users at DM CSEPs would have the opportunity to offer a partial interruption service to consumers.

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

Consumers at DM CSEPs would have greater flexibility in the choice of gas supply. Implementation of the Modification Proposal would allow consumers to take up a partial interruption service, which would permit varying rates of offtake during capacity constraints rather than enforcing a total interruption of supply.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

No consequences are envisaged on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party as a result of implementation of this proposal.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages :

The proposal would allow Users at DM CSEPs to enter into partial interruption arrangements on the same basis as Users at Supply Points.

Consumers at DM CSEPs would gain more flexibility from a partial interruption service as they may not have to fully interrupt their gas supply.

Transco does not envisage that there would be any disadvantages from implementation of this Modification Proposal.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

This draft Modification Report is to be circulated for representations.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

Implementation of this proposal is not required to enable Transco to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement furnished by Transco under Standard Condition 3(1) of the Licence

Not applicable.

14. Programme of works required as a consequence of implementing the Modification Proposal

There are no modifications required to the UK-Link Systems and therefore a programme of works would not be required as a result of implementing the Modification Proposal.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

Transco proposes that this Modification Proposal should be implemented by 1 October 2001, which would allow time for Users to apply for the new service to be effective from 1 November 2001 and the start of the forthcoming winter period.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this proposal is implemented.

17. Text

SECTION G

6.11 PARTIAL INTERRUPTION AT CSEPS

6.11.1 For the purposes of Section G:-

- (i) "Tranche" means one of two or more increments by which the CSEP User of an Interruptible CSEP may reduce its offtake (or by which CSEP Users may reduce their offtake in aggregate) from the System during a Period of Interruption.
- (ii) "Tranche Annual Quantity" means in respect of each Tranche, the Tranche Percentage multiplied by the Interruptible CSEP Annual Quantity.
- (iii) "Tranche Quantity" means the quantity of gas, measured in kWh, that shall be allowed to be offtaken from the System at each Tranche in any period of 60 minutes in any Day in respect of which a CSEP Interruption Notice has been served.
- (iv) "Tranche Percentage" means in respect of each Tranche, the Tranche Quantity expressed as a percentage of the sum of all the Tranche Quantities at the Interruptible CSEP.

- (v) **"CSEP Interruption Notice"** shall have the same meaning as that ascribed thereto by the term Interruption Notice except that it shall apply in respect of a CSEP rather than a Supply Point.

6.11.2 Transco may allow Partial Interruption at an Interruptible CSEP provided that the following rules are satisfied:-

- (i) the CSEP User (or CSEP Users) shall specify the number of Tranches which it requires at the Interruptible CSEP, such number shall not exceed 9;
- (ii) each Tranche Annual Quantity shall not be less than 5,860,000kWh (200,000 therms);
- (iii) an application may be made by the CSEP User (or CSEP Users) to Transco for a Partial Interruption status at an Interruptible CSEP at any time, for a period not exceeding 12 months, commencing on or after the operational date requested by the CSEP User (or CSEP Users) and ending on the next 30th September;
- (iv) Transco shall accept or reject all applications for Partial Interruption within [10] Business Days of their receipt by Transco from a CSEP User or the CSEP User Agent as appropriate; and
- (v) where requested by Transco, equipment (as set out in the relevant CSEP NexA)to provide information to Transco in aggregate to allow Transco to monitor the requirements in paragraph 6.11.4 shall be installed by the CSEP User (the identity of which has been notified by the CSEP User Agent where there is more than one CSEP User) prior to the commencement of Partial Interruption status.

6.11.3 Where Partial Interruption is in force at an Interruptible CSEP under this paragraph 6.11, the CSEP User (or CSEP Users) shall pay to Transco the] relevant Administration Charge (if any) set out in the Transportation Statement. Transco shall (where applicable) issue an Ad-hoc Invoice in relation to the

Administration Charge which will be invoiced and payable in accordance with Section S.

6.11.4 Where Transco requires Interruption at an Interruptible CSEP;

- (i) in any period of 60 minutes in the Day, the CSEP User will be allowed to offtake a quantity of gas, (and CSEP Users will be allowed to offtake a quantity in aggregate), measured in kWh, not exceeding the sum of the Tranche Quantities of the Tranches at the Interruptible CSEP in respect of which an Interruption Notice has not been served;
- (ii) for the purposes of paragraph 6.9.1(a), the requirement of paragraph 6.7.2.(b) shall not be satisfied where the hourly offtake in paragraph (i) has been exceeded; and
- (iii) the provisions of paragraph 6.9.2(a) and 6.11.5 shall apply.

6.11.5 Where there is a failure to Interrupt at an Interruptible CSEP with Partial Interruption status:-

- (i) where this is the first failure to Interrupt at the Interruptible CSEP in the Gas Year, the CSEP User (or CSEP Users) shall pay the charge determined under paragraph 6.9.2(b)(i), multiplied by the sum of the Tranche Percentages of the Tranches in respect of which an Interruption Notice was served;
- (ii) For the remainder of the Gas Year any Tranche which has paid a failure to Interrupt charge in accordance with paragraph (i) above or paragraph (iv) shall be termed a "failed Tranche";
- (iii) Where on any subsequent day in the Gas Year there is a failure to Interrupt at the Interruptible CSEP and the failure to Interrupt occurs only at failed Tranches, (determined in accordance with paragraph 6.11.5(ii));

- (a) for each period of 60 minutes in the Day, the quantity offtaken in excess of the Tranche Quantity of all Tranches in respect of which the Interruption Notice was not served shall be termed the “excess failure quantity”;
 - (b) the CSEP User (or CSEP Users) shall pay the charge calculated in accordance with paragraph 6.9.2(b)(ii), provided that Y shall be the total excess failure quantities in the Day;
 - (iv) where on any subsequent day in the Gas Year there is a failure to Interrupt at the Interruptible CSEP and the failure to Interrupt occurs at one or more Tranches which are not failed Tranches (determined in accordance with paragraph 6.11.5(ii)), the CSEP User (or CSEP Users) shall pay the charge determined under paragraph 6.9.2(b)(i), multiplied by the sum of the Tranche Percentages of the Tranches in respect of which an Interruption Notice was served, less the sum of the Tranche Percentages of the failed Tranches (determined in accordance with paragraph 6.11.5(ii)) in respect of which the Interruption Notice was served.
- 6.11.6 Transco shall revoke the Partial Interruptible status at an Interruptible CSEP if:-
- (i) the CSEP ceases to be an Interruptible CSEP;
 - (ii) subject to paragraph 6.10.7, any CSEP User ceases to be a CSEP User for any reason, or where a User becomes a CSEP User. ;
- 6.11.7 Where at an Interruptible CSEP there is only one CSEP User and an alternative CSEP User is to become the CSEP User of relevant CSEP, the Proposing CSEP User shall, at least 2 but not more than 7 Business Days prior to the proposed Supply Point Registration Date, notify Transco of such change. The Partial Interruption status of the Interruptible CSEP shall transfer to the new CSEP User provided that the requirements of paragraph 6.11.2 remain satisfied.

- 6.11.8 Where, at an Interruptible CSEP, any CSEP User ceases to be a CSEP User for any reason or where a User becomes a CSEP User, then the CSEP Agent may re-apply for Partial Interruption in accordance with paragraph 6.11.2 and pursuant to such re-application the Partial Interruption Status of the CSEP shall transfer to the CSEP User (or CSEP Users) identified in the re-application provided the requirements of paragraph 6.11.2 remain satisfied.
- 6.11.9 If the CSEP User (or CSEP Users) wishes to change the number of Tranches or any of the Tranche Quantities, Transco shall, subject to paragraph 6.11.2, allow such change provided that the Interruption Allowance in relation to any Tranches shall not be changed.
- 6.11.10 Subject to paragraph 6.11.2(i), if the CSEP User (or CSEP Users) wishes to increase the NTS Exit Capacity and LDZ capacity (as applicable) of the Interruptible CSEP, Transco may grant such additional NTS Exit Capacity and LDZ Capacity (as applicable) as an additional Tranche with an Interruption Allowance which may be greater than the Interruption Allowance of any of the existing Tranches at the Interruptible CSEP.
- 6.11.11 If the Interruptible CSEP ceases to have Partial Interruption status, but continues to be an Interruptible CSEP, the Interruption Allowance of the Interruptible CSEP shall be the greatest Interruption Allowance of any of the Tranches previously at the Interruptible CSEP.
- 6.11.12 Where any of the Tranches at the Interruptible CSEP has an Interruption Allowance greater than 45 days, for the purposes of paragraph 6.5.4, the Interruption Allowance shall be determined by the sum of the products of the Tranche Percentage and the Interruption Allowance of each Tranche at the Interruptible CSEP.
- 6.11.13 Nothing in this paragraph 6.11 shall prevent Transco from requiring Interruption at all Tranches at the Interruptible CSEP on the same Day.
- 6.11.14 In the case of Partial Interruption at an Interruptible CSEP:

- (a) the CSEP Users shall ensure that all actions which are required to be undertaken by the CSEP Users in accordance with this paragraph 6.11 (including compliance with paragraph 6.11.2) shall be undertaken on behalf of all the CSEP Users by the CSEP Users Agent;
- (b) for the purpose of this paragraph 6.11 all Code Communications
 - (i) if to be given by Transco may be given to the CSEP Users Agent;
 - (ii) if to be given by CSEP Users may only be given by the CSEP User Agent.

6.11.15 The CSEP User Agent may re-apply for Partial Interruption in accordance with 6.11.2(iii) and, pursuant to such re-application, the Partial Interruption Status of the Interruptible CSEP shall transfer to the CSEP Users identified in the re-application provided the requirement of paragraph 6.11.2 remain satisfied.

6.11.16 All references within this paragraph 6.11 to sub-paragraphs of paragraph 6 shall be construed in accordance with the relevant CSEP Ancillary Agreement or the relevant CSEP NExA.

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

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date: