

Modification Report
Extension of Partial Interruption Service to Shared Supply Meter Points
Modification Reference Number 0473
Version 3.0

This 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 Shared Supply Meter Points (SSMPs).

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

1. Tranche Quantities

- The existing Network Code rules on tranche quantities, such as the number of tranches per supply point, and the limits of each tranche annual quantity, will remain unchanged.
- The details of the tranche quantities and tranche percentages for a SSMP will apply uniformly at site level, rather than shipper supply point level.
- At registration stage, the details of the tranche quantities will be submitted by the Agent and signed by all Users.
- Any requests for changes to the tranche quantity details will be submitted by the Agent only and signed by all Users.

2. Role of Allocation Agent

- The Network Code currently provides for the appointment of allocation agents at SSMPs, and Users can specify that Transco acts as the allocation agent. Partial interruption will not be provided at SSMPs where Transco acts as the allocation agent, due to the increased commercial decisions that would be involved, such as the agreements of within day allocations for the purposes of allocating failure to interrupt (FTI) charges between Users, and the complexity of any within-day allocation rules that would be required.
- Although partial interruption requires within-day monitoring of gas flows where interruption has been called, at SSMPs the allocation agent will not be required to provide within-day allocations as Transco will only be required to monitor within-day flows on an aggregate basis. (Section 3 below)
- The allocation agent, acting on behalf of the Users, will 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 allocation of FTI charges between Users

Transco will not act on the instructions of an individual User within an SSMP.

3. Failure-to-Interrupt (FTI) Rules

- The rules on FTI and FTI charges will be consistent with the existing principles applying at single supply points with partial interruption and at SSMPs.
- The verification as to whether a FTI has been triggered on an hourly or within-day basis, for any number of tranches, will be based on SHQ (supply point hourly quantity) tranche quantities on an aggregate basis rather than each Users' individual SHQ values.
- Where one of the supply points of a SSMP with partial interruption is firm, the principles in Network Code (G 1.7.13 ii) will apply such that a FTI will 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 will calculate the FTI charges in aggregate. The agent will provide Transco instructions on the allocation of any FTI charges between Users.
- In the event that the agent fails to provide Transco instructions for the allocation of any FTI charges, default allocation rules will apply consistent with those set out in the Network Code (G 1.7.13) for the purposes of end of day allocation at SSMPs.

4. Interruption Notices

- Consistent with existing arrangements for SSMPs, interruption notices will be submitted to both the Agent and the sharing Registered Users of the interruptible supply points.

5. Transportation Charges

- Existing Network Code rules provide for charging for administration of the partial interruption service and SSMPs. 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 will 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 will cease.
- The existing timescales set out in the Network Code for the registration of a partial interruption service and the registration of SSMPs will continue to apply.

- All Users will be signatories to any partial interruption agreement at an SSMP and any liabilities will 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 SSMPs unless the SSMP has only one User with firm and interruptible components.

Transco believes there would be merits in removing this inconsistency such that SSMPs should be eligible for partial interruption services on the same basis as single Supply 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 Modification Proposal should also further facilitate competition in supply. The present distinction between the level of interruptible services at single supply points and SSMPs may limit the development of competition, particularly where the absence of a partial interruption service is considered a barrier to the establishment of SSMP arrangements.

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 helping to avoid 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 SSMPs 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 would have greater flexibility in the choice of gas supply. Implementation of the Modification Proposal would allow consumers to enter into an SSMP arrangement and also take up a service for partial interruption, 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 provide equal access to partial interruption services at all Interruptible Supply Points, irrespective of their supply arrangements.

Consumers with interruptible gas supplies from more than one User 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)

Representations have been received from Powergen, Alliance Gas Limited (AGL), BP Gas Marketing Limited, British Gas Trading (BGT), Scottish and Southern Energy (SSE) and the Association of Electricity Producers (AEP).

All respondents support implementation of the Modification Proposal.

Powergen, AGL and AEP agree that the extension of the partial interruption service would remove a potential barrier to the establishment of SSMP arrangements, which should lead to an increase in their take up and therefore promote competition.

AGL, BGT, SSE and AEP also believe that the proposal would help facilitate a more efficient management of the interruption regime. Sites could be partially interrupted to the level that is necessary for operational reasons, rather than be fully interrupted. AEP also highlights the cost benefits this would bring to customers as their production levels would only need to be reduced, rather than be ceased entirely.

SSE and AEP express disappointment that Transco has not reviewed the requirement on Users to reapply for the service at the start of each gas year. SSE considers that this requirement places an unnecessary administrative burden on Users. AEP acknowledges that Transco would need to review the partial interruption arrangement and the defined tranches of interruption for a site on an annual basis. However, it suggests that Transco should carry this out as an internal review and only request that Users reapply when changes are necessary to the arrangement.

AEP also expresses disappointment that Transco has not simultaneously progressed a proposal to provide the partial interruption service at DM CSEPs.

Both SSE and AEP request that a timely decision is made by Ofgem on the Modification Proposal to ensure that Users and their customers can benefit from the service over the forthcoming winter period.

Transco Response

Transco welcomes the support for the proposal and the comments made by respondents on the potential benefits of the extension of the partial interruption service to SSMPs.

Transco believes it is necessary for Users to reapply for the partial interruption service on an annual basis as it allows Transco the opportunity to review the details of each partial interruption agreement taking into account any changes in the 1-in-20 peak conditions and hence consider any changes to the interruption

trigger levels. It also believes that the process of reapplying provides an opportunity for Users to confirm with Transco load details for each partial interruption agreement. Transco is, however, in the process of reviewing the registration process to judge whether the administrative workload associated with this could be reduced.

A Modification Proposal to extend the partial interruption service to DM CSEPs needs to take account of the additional complexities of the existing arrangements in place at DM CSEPs. Transco did not think it appropriate to delay introduction of partial interruption at SSMPs until a proposal related to DM CSEPs had been developed.

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 September 2001, which would allow time for Users to apply for the new service to be effective from 1 October 2001 and the start of the forthcoming winter period.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal is implemented.

17. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal

19. Text

Section G

Paragraph 1.7

Paragraph 1.7.8 delete "1.7.7(i) and replace with "1.7.7(a)"

Paragraph 1.7.9 delete and replace with:

"1.7.9 A Shared Supply Meter Point Notification under paragraph 1.7.7(b) shall provide
for the appointment (with effect from a single date) of one person (a "**Sharing Registered User Agent**") as User Agent by all Sharing Registered Users for the purposes of:

- (a) informing Transco of the portions of the Supply Meter Point Daily Quantity to be allocated to each of them in respect of each Day and for the purpose of paragraph 1.7.10; and
- (b) complying with all Partial Interruption Rules and other provisions of paragraph 6.10 on behalf of all of the Sharing Registered Users;"

Paragraph 1.7.10(c)(ii) delete:

"this paragraph (e)," replace with "this paragraph (c),".

Paragraph 1.7.10(e) delete:

"under paragraph 1.7.7(i)" replace with "under paragraph 1.7.7(a)".

Paragraph 1.7.11(b) add:

"(iv) if an application for Partial Interruption status in accordance with paragraph 6.10.2 is being made;"

Paragraph 1.7.13(a)(i) delete and replace with:

"(i) the requirement in paragraph 6.7.2(b) shall be treated as not complied with if and only if, in the case of Partial Interruption the requirement referred to in paragraph 6.10.4 (ii) is not satisfied and in any other case, the aggregate quantity of gas offtaken from the System on such Day by all Sharing Registered Users at the Shared Supply Meter Point exceeds the Supply Point Capacity (or aggregate such capacity), held by the Registered User(s) at relevant Firm DM Supply Point Components;"

Paragraph 1.7.13(c) delete "paragraph 1.7.10" and replace with "paragraph 1.7.10(c)

Paragraph 1.7.20(a) delete and replace with:

"(a) where only one of the Sharing Registered Users remains the Registered User of
the

Shared Supply Meter Point:-

- (i) it shall cease to be a Shared Supply Meter Point with effect from the effective date of the withdrawal (and with effect therefrom all gas offtaken at such point shall be allocated to the remaining Registered User);
- (ii) partial interruption status at such Supply Point shall transfer to such remaining Registered User.

Paragraph 1.7.20(b)(i) delete "paragraph 1.7.7(i)" and replace with "paragraph 1.7.7(a)"

Paragraph 1.7.20(b)(ii) delete "paragraph 1.7.7(ii)" and replace with "paragraph 1.7.7(b),"

Add new Paragraph 1.7.22 to read

"1.7.22 Where there is Partial Interruption status at a Supply Point which comprises a Shared Supply Meter Point and where there is Shared Supply Point Modification which proposes to change the number or identity of any Sharing Registered Users, or a Supply Point Withdrawal, such Partial Interruption status shall be revoked upon the date such Shared Supply Point Modification or Supply Point Withdrawal is approved but the Sharing Registered User Agent may re-apply for Partial Interruption in accordance with paragraph 6.10.14."

Paragraph 6.5

Paragraph 6.5.4 delete and replace with:

"6.5.4 The Applicable Commodity Rates of the NTS Commodity Charges and LDZ Commodity Charges payable by the Registered User (or Sharing Registered Users) in respect of a TNI Supply Point.
calculated under paragraph 6.10.11) in the Transportation Statement."

Paragraph 6.10

Paragraph 6.10.1(i) delete and replace with:

"(i) **"Tranche"** means one of two or more increments by which the User of an Interruptible Supply Point may reduce its offtake (or by which Sharing Registered Users may reduce their offtake in aggregate) from the System during a Period of Interruption."

6.10.2 Transco may allow Partial Interruption at an Interruptible Supply Point provided that the following rules are satisfied:-

- (i) the User (or Sharing Registered Users) shall specify the number of Tranches which it requires at the Supply Point, 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 User (or Sharing Registered Users) to Transco for a Partial Interruption status at a Supply Point at any time, for a period not exceeding 12 months, commencing on or after the operational date requested by the User (or Sharing Registered 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 Registered User or the Sharing Registered Users Agent as appropriate; and
- (v) where requested by Transco, Daily Read Equipment shall be installed by the Registered User (or in the case of a Shared Supply Meter Point by the Sharing Registered User, the identity of which has been notified to Transco by the Sharing Registered User Agent) at the Supply Point prior to the commencement of Partial Interruption status."

Paragraph 6.10.3 delete and replace with:

"6.10.3 Where Partial Interruption is in force at a Supply Point under paragraph 6.10, the Registered User (or Sharing Registered Users) in accordance with G1.7.14 shall pay to Transco the 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."

Paragraph 6.10.4 delete and replace with:

"6.10.4 Where Transco requires Interruption at the Supply Point;

- (i) in any period of 60 minutes in the Day, the Registered User will be allowed to offtake a quantity of gas (and Sharing Registered Users will be allowed to offtake a quantity of gas in aggregate), measured in kWh, not exceeding the sum of the Tranche Quantities of the Tranches at the Supply Point in respect of which an Interruption Notice has not been served;"

Paragraph 6.10.5(i), 6.10.5(iii)(b) and 6.10.5(iv) add "(or **Sharing Registered Users**)" after "**the Registered User**"

Paragraph 6.10.6 delete paragraph 6.10.6(iii) and replace with:

"(iii) in the case of a Supply Point which comprises a Shared Supply Meter Point there is a Shared Supply Meter Point Modification which proposes to change the number or identity of any sharing Registered Users, or a Supply Point Withdrawal unless a re-application in accordance with paragraph 6.10.14 has been accepted."

Paragraph 6.10.7 delete and replace with:

6.10.7 Except in the case of a Shared Supply Meter Point, where another User is to become the Registered User of relevant Supply Point, the Proposing 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 Supply Point shall transfer to the new Registered User provided that the requirements of paragraph 6.10.2 remain satisfied."

Paragraph 6.10.8 and 6.10.9 Add:

"(or **Sharing Registered Users**)" after "**the Registered User**"

Add new Paragraph 6.10.13 to read:

"6.10.13 In the case of a Partial Interruption at a Shared Supply Meter Point;

- (a) the Sharing Registered Users shall ensure that all actions which are required to be undertaken by the Sharing Registered Users in accordance with this paragraph 6.10 (including compliance with paragraph 6.10.2) shall be undertaken on behalf of all the Sharing Registered Users by the Sharing Registered Users Agent and for the purposes of this paragraph 6.10 all Code Communications shall be in accordance with paragraph 1.7.10(d);
- (b) all references to Supply Point in this paragraph 6.10 shall be deemed to include references to the relevant Supply Point for the purposes of paragraph G1.7."

Add new Paragraph 6.10.14 to read:

6.10.14 The Sharing Registered User Agent may re-apply for Partial Interruption at the relevant Supply Point in accordance with 6.10.2(iii) and, pursuant to such re-application the Partial Interruption Status of the Supply Point shall transfer to the Sharing Registered Users identified in the re-application provided the requirements of paragraph 6.10.2 remain satisfied."

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code
Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0473**, version **3.0** dated **17/09/2001**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **3.0**.

Signature:

Process Manager - Network Code
Transco
Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriate

provided that if the Authority does not so approve the Agreement then Clause 3 shall apply.

2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.