



The Joint Office, Relevant Gas
Transporters and other interested
parties

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Dear Colleague,

Modification proposal 0045 'Provision of available interruption information'

Ofgem¹ has considered the issues raised in the modification report in respect of modification proposal 0045 '*Provision of available interruption information*' and, having regard to the principal objective and statutory duties of the Authority², has decided to direct the relevant gas transporters to implement modification proposal 0045.

Background to the proposal

On 8 September 2005 National Grid National Transmission System (NTS) raised modification proposal 0045 '*Limitation on offering for sale unsold capacity*'. This modification proposal requires Distribution Network Operator (DN) users to provide National Grid NTS by 18:00 ahead of the gas day their best estimate of the gas flows that will be available for interruption in each LDZ.

The proposer noted that the Offtake Arrangements Document enables the provision of information on the capacity available for interruption based upon supply point capacities (SOQs). However, the proposer stated that in practice SOQs are of limited use to National Grid NTS (and the DNs) control centres, as they generally overstate the available interruption capacity. The proposer noted that prior to the sale of four gas distribution networks by National Grid Transco, the "Interruption Manager" software, which uses actual flow measurements was available to the whole of National Grid NTS, whilst now this information is only available to DNOs.

The Modification Proposal

In summary, the proposal is to amend the Uniform Network Code in order to require DN users to provide to National Grid NTS by 18:00 ahead of the gas day their best estimate of the

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem' and 'the Authority' are used interchangeably in this letter.

² Set out in Section 4AA of the Gas Act 1986, as amended.

aggregate daily gas flows at interruptible Local Distribution Zone (LDZ) supply points in each LDZ that will be available for interruption on that day.

Respondents' views

Eight responses were received in relation to modification proposal 0045. Seven respondents supported the modification proposal, and one respondent expressed its qualified support.

One of the respondents stated that the proposed information provision set out in the proposal would assist the NTS in making the most efficient and economic demand management actions, by way of available interruption in each LDZ.

Another respondent considered that it is vitally important that National Grid NTS continued to receive at least the same level and accuracy of information regarding gas flows available for interruption currently as it did before DN sales. The respondent noted that, should this not be the case, shippers and end customers would face greater exposure to the consequences of National Grid NTS taking potentially inappropriate or inefficient actions to balance the NTS system.

One respondent stated that this proposal would ensure that National Grid NTS continues to receive accurate and timely information from the DNs, which would improve its operational decision-making process. The respondent added that the proposal would facilitate a number of the relevant objectives, and, as a result of this, they would expect there to be associated benefits for gas shippers and customers.

Another respondent considered that information on the amount of interruptible capacity made available is necessary as an input to the planning processes undertaken by transporters to comply with their licence obligations.

Timing and frequency of information provision

One respondent considered that implementation for winter 2005/06 can be accommodated by use of existing systems. The respondent noted that the extent to which system changes are required for ongoing provision in subsequent years had not been fully qualified, but stated that indications were that costs should be minimal.

One respondent suggested that improvements could be made to the accuracy and timing of information. However the respondent did not believe that changes are specifically required as a matter of urgency for this winter and that access to information is only likely to be restricted from next year. The respondent added that a simple and pragmatic solution could be implemented to allow daily extraction of information going forward into next year, but stated that further work is required in this area and an impact assessment would need to be carried out. However, the respondent noted that, as the legal text is not specific in this area, this needn't affect progress of this proposal.

One respondent offered qualified support as, whilst supporting the principle that National Grid NTS should have access to this information, it did not support the timing or periodicity of its provision as stated in the proposal. The respondent was not convinced that this data would vary sufficiently to require its daily update to National Grid NTS on every day of the year. The respondent added that, since National Grid NTS will continue to have access to the relevant data for this winter and will be able to manage interruption, during the winter period the timing,

format and content of communication can be developed by transporters in the offtake arrangements workstream and then incorporated into the offtake communications document.

This respondent therefore recommended a revised modification to be raised immediately which would allow each DN to provide National Grid NTS with a statement of the DN's best estimate of the aggregate daily gas flows at interruptible local distribution zone (LDZ) supply points in each LDZ that will be available for interruption. The respondent added that the format and timing would then be agreed by the parties from time to time and detailed in the offtake communications document.

Another respondent, whilst offering its support to the proposal, noted that further work is required to complete an impact assessment for future years when system changes will require a different solution.

The proposer noted that the August transmission workstream discussed the frequency of information provision and considered that daily provision would provide National Grid NTS with the most up to date information to best inform its decision making process, but that this would need to be considered against the costs of providing the information. The proposer clarified that it would accept a single screen print from the SC2004 interruption manager system, containing the relevant information from all LDZs, faxed from the DNCC on behalf of DN users. The proposer considered that this process would create negligible additional operating costs and no development cost to DN users.

Other comments

One respondent noted that, should this proposal be implemented, the offtake communications document will need updating to reflect the communication route for this data flow.

Another respondent noted that there is no suggestion that existing provisions will be removed. The respondent stated that the DN would still be required to provide an annual statement with updates from time to time or as soon as practicable after any material change, and that such information would continue to be based on Supply Point capacity. The respondent questioned whether this would be necessary or appropriate.

Panel recommendation

At the modification panel meeting of 20 October 2005, of the nine voting members present, capable of casting ten votes, ten votes were cast in favour of implementing modification proposal 0045. Therefore the panel recommended implementation of the proposal.

Ofgem's view

Ofgem has carefully considered the views raised by all parties in relation to modification proposal 0045.

Having had regard to the principal objective and the statutory duties of the Authority, Ofgem considers that this modification proposal better facilitates the relevant objectives (a) and (b) as set out in paragraph 1 of Standard Special Condition A11 (Network Code and Uniform Network Code) in the Gas Transporters Licence.

Standard Special Condition A 11(1) (a) – the efficient and economic operation of the pipe-line system to which this licence relates

Ofgem concurs with the view of the proposer that the proposal would facilitate the efficient and economic operation of the NTS pipeline system by ensuring that emergency and capacity management decisions are made using more accurate information than would otherwise be the case.

In particular, Ofgem considers that the proposal should ensure that emergency and capacity management decisions are taken by considering the most recent information on the actual availability of interruption on the DNs.

From a capacity management perspective, enabling National Grid NTS to access this information should assist it in making efficient interruption decisions. For example, National Grid NTS should obtain a better understanding of the impact of a decision to invoke interruption on a DN and the effect of that decision. This should enable it to consider the most effective options available to it in managing capacity on its network and in its role as residual gas balancer which should, in turn, promote the efficient operation of the pipeline system. Further, the proposal and the consequent access to additional information should better facilitate efficient system operation by assisting National Grid NTS to resolve constraints and gas supply shortfalls in a timely manner. The timely resolution of such issues may also assist in preventing the onset of gas supply emergencies.

From an emergency management perspective the information should reduce the risk that pressures to DNs cannot be maintained as a result of a decision on the part of the National Emergency Coordinator (NEC) to invoke interruption in the context of a gas emergency. For example, without this information there may be a risk that the NEC invokes interruption on the DN where there is no available interruption capacity on the network, causing a risk that pressures on the DN cannot be maintained.

It is noted that Ofgem also believes that consideration should be given to the release of information to the market on levels of available interruption at some level of aggregation. The broader release of such information should provide additional transparency which should promote competition and assist the market in facilitating timely resolution of events such as gas supply shortfalls.

Standard Special Condition A 11(1) (b) –so far as is consistent with sub-paragraph(a), the co-ordinated, efficient and economic operation of (i) the combined pipeline system and/or (ii) the pipe line system of one or more other relevant gas transporters

For the reasons outlined above, Ofgem also considers that the provision of additional information on likely levels of gas flows available for interruptions on each DN would better facilitate this relevant objective by ensuring that National Grid NTS has regard to the most accurate interruption information on each DN when taking capacity or emergency management decisions.

Ofgem's decision

For the reasons outlined above, Ofgem has decided to accept modification proposal 0045.

If you wish to discuss any aspect of this letter, Mark Feather (telephone 0207 901 7437) or Matteo Guarnerio (telephone 0207 901 7493) would be pleased to assist.

Yours sincerely



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