

Final Modification Report
Modification Reference Number 0323
Treatment of Urgent Network Repair Work Following an Emergency

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 Network Code currently allows Transco to curtail supplies in order to repair or maintain the System only where it has given thirty days notice (notwithstanding Transco's obligations under the Gas Code - Network Code Section J1.6). The occurrence of a Supply Emergency, as defined in the NEC Safety Case, may however require urgent temporary repairs to the System. Following such repairs, which may be undertaken in less than ideal conditions, there can be an urgent requirement to carry out a permanent repair in order to ensure that the integrity of the Network is maintained.

This modification proposes a new maintenance category for urgent maintenance or repairs in this situation. For this type of work, where Transco may require loads to temporarily reduce their offtake, Transco will give as much notice as reasonably possible to the relevant user, and in any event the notice will be not less than three days unless prior agreement has been reached with the affected supply points.

Curtailment of supplies due to urgent repairs may apply equally to firm or interruptible supply points in the same way that curtailment due to planned maintenance and emergency interruption does.

2. Transco's opinion:

Transco is in favour of this proposal. Urgent repairs following an emergency cannot be dealt with within Network Code under the current rules, where planned maintenance requires a thirty day notice period and emergency interruption should only be used to prevent or alleviate an emergency.

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

The new category of urgent repairs will ensure that Transco can safely carry out permanent repairs in a timely and efficient manner and hence would aid Transco in the efficient and economic operation of the System, therefore meeting one of the relevant objectives of the Network Code.

4. **The implications for Transco of implementing the Modification Proposal , including:**

a) **implications for the operation of the System:**

The proposal should be of benefit to the operation of the System. Following a gas supply emergency, Transco currently has to either prolong emergency interruption or leave a temporary repair for at least thirty days, which may give rise to the risk of a further emergency situation resulting from the potential failure of a temporary repair.

b) **development and capital cost and operating cost implications:**

No development, capital cost or operating costs implications are foreseen as a result of implementation of this proposal.

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:**

Not applicable.

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

It is not anticipated that this proposal will have any implications 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:**

There will be no change to the level of contractual risk to Transco as a consequence of this proposal.

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

Transco does not foresee any development implications for computer systems as a result of this modification.

7. **The implications of implementing the Modification Proposal for Users:**

Since any curtailment or reduction of gas usage at affected supply points is expected to be a rare event, the implications for Users of implementing this proposal are negligible.

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

This modification will have implications for gas consumers if they are affected by a gas supply emergency. It will enable Transco, in some circumstances, to minimise the period of any emergency interruption.

Repairs are sometimes required to pipelines in the public highway. This modification will enable permanent repairs to be actioned in a timely manner therefore minimising disruption and inconvenience to highway users and the local community.

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:**

There are no significant consequences on the legislative or regulatory obligations of Transco or Users.

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

The principal advantage of this proposal is that Transco will not have to prolong any emergency situation and will be able to carry out permanent safe repairs in a timely manner.

Transco is not aware of any disadvantages of this proposal.

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

Seven representations were received on the draft Modification Report.

Aquila Energy and BP Gas supported the proposal. The following comments were made by other respondents.

General

Eastern Energy are of the opinion that the existing provisions of planned maintenance and emergency interruption are sufficient and expressed the view that a temporary repair, which is unlikely to withstand thirty days of operation, should be considered a risk to safety and emergency interruption should be continued.

Eastern Energy and Scottish and Southern Energy suggest that this proposal would result in more disruption to the affected End User and any other parties which are involved. The proposal implies that after the initial emergency the end user will be allowed to offtake whilst the temporary repair is in place but will be required to cease gas offtake when the emergency repair is completed at a later date. Eastern Energy suggest that the continuation of emergency interruption would be a more “prudent, safe and cost effective option”.

Clarification of Proposal

Scottish and Southern Energy request clarification of whether the proposal seeks to define the new maintenance category in a similar way as Planned Maintenance or as part of an emergency situation. Further confirmation is also requested of whether the days on which emergency maintenance is carried out will be classed as Planned Maintenance days or as days of interruption.

It is also suggested that if Transco plan to include emergency maintenance within the number of Planned Maintenance days then this should be reflected as a sub section to the number of Planned Maintenance days specified in the Network Code or relevant NExA.

Scottish and Southern Energy also comments that the term "certain strategically important loads" requires a fuller definition and request clarification of how Transco intends to communicate its requirements with the end user.

The Association of Electricity Producers (AEP) question the application of the proposal under paragraph 4.2.6 in Section L of the Network Code which relates to temporary repairs “as a result of escapes of gas from the System.”

The AEP also suggests that a site should be protected from being subject to routine maintenance when urgent maintenance has been recently carried out and suggests that paragraph 4.3.6 should not be incorporated as this would remove the limit on the number of days maintenance.

Notice Periods

British Gas Trading express concerns over the three day notice period which is proposed and state that this will not be sufficient to minimise the commercial impact and inconvenience on the parties concerned. It proposes that where a period of less than thirty days notice is required to make the repair then an appropriate notice period and period of interruption should be agreed with the shipper and end user.

Scottish and Southern Energy also stress that although three days notice is considered a sufficient time period the substantial impact this would have on firm loads should be acknowledged.

Shell Gas Direct also proposes that the notice period before maintenance is undertaken should be agreed between Transco, the shipper and the customer

Monitoring of Proposal

British Gas Trading request information on how often this proposal would have been applied in the last two years in order for a full assessment to be made. It is further proposed that the application of the proposal should be carefully monitored and be open to an independent audit.

Shell Gas Direct also proposes that Transco should be able to demonstrate that all alternative methods of maintaining the gas supply have been investigated and interruption only carried out as a last resort.

Liability and Compensation.

Eastern Energy proposes that Transco should face a liability for compensation as a result of the emergency situation and believe that this proposal allows Transco to avoid liability by defining the situation as "urgent maintenance". It is acknowledged however that the issue of liability and compensation is outside the scope of this proposal.

Scottish and Southern Energy and the AEP also comment that this proposal does not address the issue of compensation and the AEP state that this is only acceptable where there is a limit to the number of days that gas is not made available for offtake.

British Gas Trading proposes that the existing terms for failure to make gas available for offtake and the liabilities associated with this should apply. It is also concerned over the proposed drafting for paragraph 4.3.6 which allows Transco to extend the number of days it is relieved from certain obligations in the event that routine maintenance was not completed in the allowed timeframe.

Transco Response:

General

Transco believes that this proposal would minimise the disruption to End Users and Shippers as it ensures that the supply of gas to the site is only interrupted during the period that work is being carried out on the repair.

A temporary repair would only be carried out where the need for additional plant or equipment prevents a full repair from being made at the time of the initial emergency.

During the time when this temporary repair is in place the site would be able to offtake gas until such time that the final repair is made. Where it is not safe for gas supply to be restored for a temporary period then the site would remain off and the emergency situation be continued.

Clarification of Proposal

Transco can clarify that this proposal would only be applied as a result of taking an “Emergency Step” as defined in Section Q of the Network Code. Days on which the repairs are being made are classified as maintenance days. They are not included within the number of allowed Planned Maintenance Days and are not classed as days of Interruption.

It can also be confirmed that this proposal could apply to any affected load on the System not just “certain strategically important loads” and could come into effect after a “Supply Emergency” as defined in the NEC Safety Case. The wording of the proposal has been amended in this respect.

In the event that this proposal needs to be applied, Transco will contact the Shipper in accordance with the normal procedures for communications during interruption. It is expected however, that Transco will also continue to liaise with the end user until the repair is complete.

Notice Periods

Where a temporary repair has been made and a second visit is required to complete the repair work then a suitable notice period would be agreed with the User in most circumstances.

To clarify, under paragraph 4.2.1(d) the proposal envisages that Transco will give the User “as much notice as is reasonably practicable of the carrying out of such urgent maintenance but in any event shall give the User either (i) not less than 3 Days notice or (ii) such lesser period of notice as agreed with the User”.

Therefore three days is the minimum notice period Transco would impose unless a shorter notice period was agreed. Transco believes that this is a reasonable period for a site to make alternative arrangements. A greater notice period would, however, be given if circumstances allowed and Transco would, in most cases, liaise with the end user in order to agree a suitable time during which to carry out the repair.

Monitoring of Proposal

It is planned that Transco System Operations will record and monitor the application of this proposal and ensure that it is only applied following an emergency. This information could be provided to Ofgem should a fuller audit be required.

Transco will shortly be in a position to provide information on the number of circumstances during this gas year where this proposal could have been applied and

the full repair carried out within thirty working days. Work is ongoing within Transco to collate this information, which is currently held by each individual LDZ. Procedures are being put in place to maintain central records in the future which could be used to monitor the implementation of this proposal.

Liability and Compensation.

In accordance with current provisions under Section Q of the Network Code Transco will be excluded from liability for failing to make gas available for offtake under these circumstances.

Transco believes that the issue of liabilities and compensation in the event of an emergency is a subject outside the scope of this proposal.

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

This modification is not required to enable Transco to facilitate compliance with any 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) of 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 will not be required as a result of implementing the Modification Proposal.

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

Transco proposes that this modification is implemented from 1 September 1999.

16. Recommendation concerning the implementation of the Modification Proposal:

Transco recommends that the modification 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:

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Director General in accordance with this report.

19. Text;

Network Code Section L - Paragraph 4.2

Paragraph 4.2.1

delete paragraph 4.2.1(a), replace with:

- "(a) in the case of an NTS System Entry Point or NTS Exit Point, the maintenance day was either
- (i) a Day (in a Planned Maintenance Period) on which such maintenance was planned under the Maintenance Programme (including any revision of the Maintenance Programme notified to such User in accordance with paragraph 4.1.2): or
 - (ii) a Day on which such maintenance was carried out as urgent maintenance and Transco gave notice of the same to such User in accordance with paragraph 4.2.1(d)"

Paragraph 4.2.1(b) add new paragraph 4.2.1(b)(v)

- "(v) in the case of urgent maintenance in accordance with paragraph 4.2.1(d)"

Paragraph 4.2.1 add new paragraph 4.2.1(d)

"(d) in the case of urgent maintenance, Transco will give the User as much notice as is reasonably practicable of the carrying out of such urgent maintenance but in any event shall give the User either (i) not less than 3 Days notice or (ii) such lesser period of notice as agreed with the User"

Add new paragraph 4.2.6

"4.2.6 Where, following a Gas Supply Emergency, Transco has carried out a temporary repair of any part of the System then Transco may at any time within 30 Days of the date such temporary repair has been completed, commence a permanent repair of such part of the system ("urgent maintenance")."

Paragraph 4.3.2 to read:

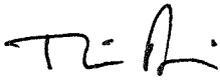
"4.3.2 Subject to paragraph 4.3.3, 4.3.6 and Section V.9, Transco will not be relieved Maintenance Affected Point."

Add new paragraph 4.3.6 to read:

"4.3.6 In the case of urgent maintenance, the provisions of paragraph 4.3.2(a) to (e) shall not apply in respect thereof and accordingly Transco will be relieved by virtue of paragraph 4.3.1(ii) of its obligations therein referred to in respect of a Maintenance Affected Point."

Signed for and on behalf of Transco.

Signature:



Tim Davis
Manager, Network Code

Date: 23 July 1999

Director General of Gas Supply 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 0323, version 1 dated 23/07/99) be made as a modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply.

Signature:

Director of Transportation Regulation

Date:

The Network Code is hereby modified, with effect from _____, in accordance with the proposal as set out in this Modification Report, version 1.

Signature:

Process Manager - Network Code
Transco

Date:

ANNEX

Restrictive Trade Practices Act - Suspense Clause

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

1. Suspense Clause

1.1 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:

- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") 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 Director 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 paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.

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