

Draft Modification Report
Provision of a Guarantee of Pressure for Meter Points operating above 21 mbar
by the Relevant Transporter
Modification Reference Number 0005(0726)

Version 1.0

This Draft Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 9.6.

1. The Modification Proposal

Please refer to Revised Modification Proposal 0005(0726) v4.0 as varied by the proposer prior to Modification Panel vote to proceed to consultation.

2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives

By ensuring that any pressure service provided at a meter point remains available if and when the Shipper or Supplier is changed, implementation of this Proposal would facilitate the securing of effective competition between relevant Shippers and between relevant Suppliers. This would also be facilitated since pressure services would be available on a non-discriminatory basis, dependent on the meeting of consistent criteria in all cases.

If, as a result of implementation of the Proposal, the Transporters operate their systems at higher cost in order to maintain pressures at affected sites, and the additional cost exceeds Users' willingness to pay for the service provided, this would not facilitate the efficient and economical operation of the pipe-line systems.

If implementation of the Proposal were to lead to the Transporters investing in network development at a cost which exceeded Users' willingness to pay for the service provided, this could be regarded as inconsistent with the licensees' Gas Act obligations with respect to economic and efficient development of the pipe-line system, and hence with GT Licence obligations.

3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

No such implications have been identified.

4. The implications for Transporters and each Transporter of implementing the Modification Proposal , including

a) implications for operation of the System:

Transporters' Systems may in part be operated at higher pressures in order to ensure that any new Transporter obligations with respect to provision of minimum pressures are met.

b) development and capital cost and operating cost implications:

Transporters have not provided an estimate of any additional costs which may arise were the Modification Proposal to be implemented. However, both operational (including monitoring) costs and administrative costs (associated with preparing and managing ancillary agreements) would be incurred.

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

If additional costs are incurred to provide a service to a particular load, the Transporters believe it would be appropriate for those costs to be recovered from the load which receives the enhanced service.

Shippers attending the Workstream felt that, consistent with the existing siteworks process, it would only be appropriate for Transco to pass on costs in the case of new loads, or existing loads seeking to change the service received. No costs should be faced in the case of loads seeking to formalise the continued provision of an enhanced pressure service.

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

If the Modification Proposal were implemented, the Transporters would need to consider whether it was appropriate to propose changes to their Transportation Charging methodologies with a view to better reflecting costs incurred.

5. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

Implementation of the Modification Proposal would extend the Transporters' obligations and so increase the level of contractual risk. However, clarification of the existing contractual position and consequent removal of ambiguity may be expected to reduce the level of contractual risk.

6. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

Provided no obligation is placed on Transporters which would require identification of meter points subject to an enhanced pressure service, for example by a system flag, no systems impacts are anticipated by either Transporters or Users.

7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

The administrative costs of Users would be increased to the extent that they enter into and manage Ancillary Agreements, or advise end users about such agreements

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

Consumers would have increased confidence regarding the continued provision of enhanced pressures, enabling them to invest in appropriate plant and equipment.

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

To the extent that Ancillary Arrangements were agreed between Transporters and end users as a result of implementation of the Modification Proposal additional, but largely generic, contractual relationships would be created.

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

Advantages:

- Provides clarity for consumers that existing arrangements for enhanced pressure services will continue.
- Provides increased confidence that enhanced pressure services would continue to be made available on a non-discriminatory basis.
- Clarifies contractual position in UNC by formalising provision of enhanced pressure arrangement

Disadvantages:

- Potentially increases the costs of system development and operation
- Reduces flexibility of system operation
- Increases administrative costs
- Resource intensive initial validation of existing sites.

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

The report reflects issues raised at Workstream meetings. No written representations have been received.

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

Implementation is not required to enable each Transporter 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 paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

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

No programme of works would be required as a consequence of implementing the Modification Proposal.

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

The Proposer believes that implementation should follow immediately when Ofgem's direction is received. Transco suggests that it would be appropriate for the necessary supporting documentation to be developed and agreed prior to implementation of the Modification Proposal.

16. Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

17. Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

No legal text has been developed by the Proposer or within the Workstream.

Subject Matter Expert sign off:

I confirm that I have prepared this modification report in accordance with the Modification Rules.

Signature:

Date :

Tim Davis
Chief Executive Joint Office of Gas Transporters

Signed for and on behalf of Relevant Gas Transporters:

Signature:

Date :