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Shippers, relevant gas transporters  
and other interested parties

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Dear Colleague

**Uniform Network Code modification proposal 016 – ‘Amendment of Nomination Timetable’  
(formerly Transco NTS Network Code modification proposal 0743)**

Ofgem<sup>1</sup> has carefully considered the issues raised in the modification report in respect of modification proposal 016, ‘Amendment of Nomination Timetable’.<sup>2</sup>

Having had regard to the principal objective and statutory duties of the Authority<sup>3</sup>, Ofgem has decided to direct the relevant gas transporters to implement modification proposal 016 because Ofgem considers that the proposal will better facilitate achievement of the relevant objectives of the Uniform Network Code (UNC) under Standard Special Condition A11 of the relevant gas transporters’<sup>4</sup> (GT) licences. Ofgem considers this decision is also consistent with its wider statutory duties.

In this letter, Ofgem explains the background to the modification proposal and gives its reasons for making its decision.

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<sup>1</sup> Ofgem is the office of the Gas and Electricity Markets Authority. The terms ‘Ofgem’ and the ‘Authority’ are used interchangeably in this letter.

<sup>2</sup> The modification proposal set out in this letter was originally proposed in accordance with the modification rules set out in Transco’s network code<sup>2</sup>. Following the implementation of urgent modification proposal 0745 and in accordance with paragraph 2.1 of Part IV of the Transitional Rules, on 1 May 2005 modification proposal 016 was deemed to be a modification proposal made in respect of the UNC in accordance with the UNC modification rules. On 3 May, the Modification Panel voted to allow the proposal to continue through the UNC modification process without re-consultation and the modification proposal was assigned its new number. In addition the Panel chose not to make a recommendation on this modification proposal.

<sup>3</sup> Set out in Section 4AA of the Gas Act 1986, as amended. Ofgem’s statutory duties are wider than the network code relevant objectives and include amongst other things a duty to have regard to social and environment guidance provided to Ofgem by the government.

<sup>4</sup> On 1 May 2005, Transco hived down 4 of its Distribution Networks (DNs) into four wholly Transco owned subsidiary companies and sold these DN on 1 June 2005. Transco’s GT business (which includes NTS and DN activities), along with the other DN businesses are together known as relevant gas transporters. The relevant gas transporters are Transco’s RDN and NTS businesses and the buyers of the DN.

## **Background to the proposal**

Shippers nominate quantities of gas for delivery to and offtake from the NTS each day in accordance with section C of the UNC for the purposes of enabling Transco NTS to plan and carry out the operation of the system and for operational balancing purposes. Section C1.2 of the UNC sets out the timetable for nominations, under which it is specified that shippers must submit their input nominations by 16.00 on the day before the gas day and that renomination is not allowed until 17:30 that day. These arrangements were originally required to allow Transco NTS time to schedule the nominations and in doing so determine whether there was sufficient capacity to accommodate the nominated flow and, if not, curtail nominations to match available capacity. This process is now largely automated and takes little time to complete.

## **The modification proposal**

On 1 April 2005, British Gas Trading (BGT) ('the Proposer') submitted modification proposal 016 ('the Proposal'). The Proposal seeks to bring forward the input nomination time to 14:30 from 16:00 on the day before the gas day. In addition the Proposal seeks to bring forward the renomination start time two and a half hours from 17:30 to 15:00 on the day before the gas day. Further, the Proposal removes the requirement for a scheduled start time and a nomination finalisation time which are no longer relevant to Transco NTS's processes. Daily Metered (DM) and Non-Daily Metered (NDM) output nomination times remain the same at 13:00 and 14:00 on the day before the gas day respectively.

The Proposer was of the view that the Proposal would allow shippers to submit and revise their nominations prior to close of business on the day before the gas day. The Proposer considered that this would allow shippers to provide Transco NTS with more accurate and relevant data at a much earlier stage. The Proposer therefore considered that the Proposal would better facilitate achievement of the relevant objectives of the UNC by enabling more efficient and economic operation of the system and in securing more effective competition between shippers and suppliers.

## **Respondents' views**

Transco NTS received seven responses to its consultation in respect of the Draft Modification Report, all of which expressed support for the Proposal. It was the view of respondents that the Proposal would remove the current restriction on shippers on entering nomination and renominations, which in turn would improve the accuracy of the information submitted to Transco NTS, in particular from those shippers that do not operate outside of normal business hours. Respondents also considered that improved information in relation to nominations would increase the accuracy of Transco NTS's demand forecasting (respondents focused on the attributive relationship between DM nominations NDM forecasts, where total system demand less DM nominations approximates to NDM).

## **Transco NTS's view**

Transco NTS was of the view that, in reducing the time interval between the receipt of initial nominations and renominations, the Proposal would improve the provision of information to Transco NTS of likely flows onto the system at only minimal incremental system costs.

## **Ofgem's view**

Ofgem has carefully considered all of the respondents and Transco NTS's views in respect of this Proposal. Having had regard to its principal objective, Ofgem agrees with the views of respondents and Transco NTS that modification proposal 016 would better facilitate

achievement of the relevant objectives of the UNC under Standard Special Condition A11 of the relevant gas transporters' GT licences. Ofgem considers this decision is also consistent with its wider statutory duties.

*All relevant objective (a) – the efficient and economic operation of the pipe-line system to which this licence relate*

Ofgem agrees with the Proposer, Transco NTS, and respondents, that the Proposal is likely to improve the quality of shippers' input nominations and renominations ahead of the gas day. Ofgem considers that the Proposal will remove the current restriction in terms of timing on shippers on entering nominations and renominations. Ofgem considers that this should allow market participants greater opportunity to submit nomination information which in turn would improve the quality of information submitted to Transco NTS as to likely flows on and off the NTS.

Ofgem therefore considers that modification proposal 016 would better facilitate achievement of the relevant code objective (a) for the efficient and economic operation of the pipe-line system.

*Relevant objective (d) - the securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.*

As set out above, Ofgem considers that the Proposal will improve the quality of the information submitted to Transco NTS as to likely flows on and off the NTS. As a result of this improved information flow, Transco NTS will be able to produce more accurate forecasts of DM and NDM demand earlier in the day and the within day variation of NDM forecasts due to the late amendment of DM nominations should be reduced.

Ofgem therefore considers that modification proposal 016 would better facilitate achievement of the relevant code objective (d) for the securing of effective competition between relevant shippers, between relevant suppliers, and/or between DN operators and relevant shippers.

### **Ofgem's decision**

For the reasons outlined above, Ofgem has decided to direct the relevant gas transporters to implement modification proposal 016. Having carefully considered the merits of the Proposal, Ofgem considers that it would better facilitate achievement of the relevant objectives of the UNC under Standard Special Condition A11 of the relevant gas transporters' GT licences. Ofgem also considers this decision to be consistent with the principal objective and statutory duties of the Authority.

If you have any further queries in relation to the issues raised in this letter, please feel free to contact me on the above number or Michael Michaelides on 020 7901 7432.

Yours sincerely



**Sonia Brown**  
**Director, Markets**

Signed on behalf of the Authority and authorised for that purpose by the Authority