



The Joint Office, Relevant Gas Transporters and other interested parties

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Dear Colleague,

12 January 2006

Modification proposal 047 'Additional data requirements for DM capacity referrals'

Ofgem¹ has considered the issues raised in the modification report in respect of modification proposal 047 'Additional data requirements for DM capacity referrals' 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 047.

Background to the proposal

Pursuant to Uniform Network Code (UNC) section G5.1.3, a User is able to apply for revision of Registered DM Supply Point Capacity. Such requests are in all cases directed to the relevant gas Distribution Network (DN) or National Grid NTS for assessment. National Grid Distribution (the Proposer of this modification proposal) stated that, in addressing such requests, a number of distribution networks have experienced difficulty due to the fact that the UNC currently requires Users only to provide limited data with respect to the site at which a revision to capacity is required.

The UNC currently requires Users to provide:

- ◆ the supply point confirmation reference number;
- ◆ one meter point reference ('M') number relevant to the supply point for which a capacity revision is being sought;
- ◆ the requested revised capacities (daily and hourly); and
- ◆ the requested date of commencement for the revised capacities.

The Proposer stated that the non-specific nature of the second item creates uncertainty for relevant Transporters where a 'multi-metered' supply-point is encountered. Given that the User is not required to provide the 'M' number relevant to the capacity request, on occasion, Transporters are unable to identify the meter where an increase in capacity is required. The Proposer added that to increase the efficiency of the Transporters' response with respect to the sustainability of the capacity revision, additional site specific data would be required. According to the Proposer, such data would facilitate the efficiency with which relevant Transporters are able to process capacity referrals and would increase confidence in the accuracy and timeliness of the response.

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.

The Modification Proposal

The modification proposal is to make a number of changes to the UNC, as outlined below.

The following additional data items would be required by Transporters in order to access a Capacity Revision Application (pursuant to UNC section G5.1.4):

- ◆ proposed Annual Quantity;
- ◆ intention or otherwise to install a compressor or booster;
- ◆ meter point reference for increased load (replacing the existing requirement: 'one Meter Point Reference ('M') Number relevant to the supply point for which a capacity revision is being sought);
- ◆ shipper contact details (name, telephone, email).

Further, when considering a Capacity Revision Application, Transporters may reasonably request any additional information from the following list in order to assess the application:

- ◆ information for other meter points impacted by the request for increased capacity, including meter points where the load may have reduced;
- ◆ proposed load profile (annual and daily); and
- ◆ phasing of development.

The UNC would also be modified to establish the circumstances under which Transporters may reject a referral request, specifically where the above data items (including those additionally requested) are not provided.

In the event that it is necessary for the Transporter to assess the feasibility of making gas available for offtake (requiring a notice period of 21 business days), the Transporter would be required to provide a response to the User (in accordance with UNC principal document G.5.1.7 or G.1.5.8) by the end of the 18th business day following submission of the capacity revision application.

According to the proposal, where requested by the Transporter, the User will facilitate procurement of permission and access for the Transporter to visit the consumers premises to establish any information required to address the request for increased capacity.

Respondents' views³

Six responses were received in relation to modification proposal 047. Five respondents supported the modification proposal, and one respondent expressed qualified support.

Provision of additional information

One respondent noted that whilst the proposal slightly increases the workload for the User initially it also reduces the amount of subsequent communication between the relevant Transporter and the User, therefore resulting in an overall efficiency saving.

³ This section is intended to summarise the principal themes of the respondents' views and is not intended to provide a comprehensive overview of the responses received. Respondents views can be found in full on the Gas Transporters Information Service website at: <https://gtis.gasgovernance.com>

Another respondent considered that the additional data items required of Users and timescales in which a Transporter is required to respond to an application by a User should improve the robustness and efficiency of the capacity referral process.

The Proposer considered that the additional data requirements advocated by the proposal are necessary to enable Transporters to provide timely and accurate responses to requests for capacity revisions from Users at relevant supply meter points.

Timescale of response

The Proposer indicated that the incorporation of a Transporter response timescale would provide clarity for Users in respect of the timescale for the Transporters' response.

One respondent stated that the obligation put upon the Transporter to respond by the 18th business day ensures that shippers will receive a response in time to confirm to consumers whether the increases have been approved. According to the respondent, this would reduce the number of capacity overruns on the network.

One respondent noted that the proposal sets out clear timescales within which Users can expect to receive a response, and stated that this should make it easier for Users to monitor and manage the process. Another noted that the proposal gives Users confidence that their requests for changes to a site's capacity will be dealt with in a timely fashion.

Legal drafting

One respondent suggested an alternative definition of "Annual Load Profile" in the legal text.

Another respondent required clarification on the legal text, suggesting that certain definitions may be more narrowly drawn than intended by the proposal.

Concerns regarding the modification proposal

The respondent offering qualified support was concerned that the additional data items required as part of the proposal carry the same weight as the existing items, in so far as providing Transporters with an opportunity to reject a referred request and that these additional items could be seen to be being used by a Transporter to effectively "stop the clock". In the respondent's view, the only justified piece of information is the specific meter point reference number.

The respondent also suggested that, in the event that the proposal is implemented, it seems sensible that there ought to be one point of contact with Xoserve on capacity revision requests.

The respondent expressed some concerns on a number of specific issues, such as the wording of paragraph 5.1.11, the need for additional information such as the proposed annual quantity, the intention to install a compressor or booster, and the proposed load profile.

In addition, the respondent stated that, whilst the proposal may theoretically improve the efficient and economic operation of the pipeline system but in so doing, it may have limiting effects for themselves and consumers. Furthermore, the respondent noted that the proposal established circumstances under which Transporters may reject a referral request, in particular where data items are not provided, and noted that this could provide a disincentive for Users to

ensure that the data is accurate, as Users may consider that it is better to send anything, irrespective of the accuracy, rather than to receive a rejection.

Another respondent noted that although this modification places some standards of service on Transporters, Users are still liable for any costs (from capacity overrun and ratchet charges) that are incurred if the Transporters fail to meet those standards. The respondent stated that it would prefer to see suitable safeguards to protect Users from incurring such unwarranted financial penalties.

One respondent noted that the Transporter may be able to reject a request where the data items specified have not been provided. The respondent stated that it is not entirely clear how this would be implemented or incorporated into the legal text but the respondent anticipated that every effort would normally be made to obtain or provide such data. The respondent stated that it should only be necessary to invoke such arrangements in exceptional circumstances.

Panel recommendation

At the modification panel meeting of 10 December 2005, of the nine voting members present, capable of casting ten votes, ten votes were cast in favour of implementing modification proposal 047. Therefore the panel recommended implementation of the proposal.

Ofgem's view

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 Licence⁴.

Ofgem considers that the proposal would better facilitate the efficient and economic operation of the NTS and DN's pipeline systems and of the combined pipeline system by ensuring that relevant Transporters receives the relevant data in order to assess requests for revised capacity in a timely manner. In particular, by ensuring that Transporters have all the necessary information provided to them, this should help to facilitate more efficient processing of capacity revision applications. Ofgem notes that whilst supporting the implementation of the proposal, some respondents expressed a number of concerns which may require further consideration. To this end, Ofgem would note that any of these Parties are able to raise a topic for discussion in the appropriate workstream, and/or raise a further modification proposal if appropriate.

Ofgem's decision

For the reasons outlined above, Ofgem has decided to accept modification proposal 047.

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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Director, Transmission

⁴ This Licence Condition can be viewed at: http://62.173.69.60/document_fetch.php?documentid=6547