

Draft Modification Report
Optional Limits for Inert Gases at System Entry Points
Modification Reference Number 0049

Version 1.0

This Draft Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 9.6.

1. The Modification Proposal

The Proposal was as follows:

“Transco NTS has received several requests from prospective and existing Delivery Facility Operators seeking to bring gas into the NTS with levels of Nitrogen, Carbon Dioxide and Total Inerts (“inert gases”) that are above the levels set out in A 5.3 of the 2004 Transco Ten Year Statement. The levels requested are consistent with the inert gas limits that EASEE-gas (European Association for Streamlining of Energy Exchange) has recommended in its draft document Common Business Practice (CBP) for “Harmonisation of Natural Gas Quality”. If approved by the EASEE-gas executive, the CBP would provide a voluntary gas specification for transmission system cross border points and EU transmission network entry points.

The UNC provides that the gas quality specifications in an existing Network Entry Provisions can be varied either by agreement of all Users at that entry point or by following the UNC Modification Rules. As a result, a number of Modification Proposals have been raised and implemented which have enabled changes to be made to existing Network Entry Provisions. It is proposed that the UNC is amended to facilitate all Delivery Facility Operators having the option to adopt common limits for the inert gas parameters specified in the table below. Implementation of this Proposal would enable these limits to be introduced at any existing entry point without the need to raise a Modification Proposal in support of each request.

Table 1. Proposed optional inert gas limits

Gas Quality Characteristic	Proposed optional limit
Total Inert Gases	No direct limit
Nitrogen	No direct limit
Carbon Dioxide	Not more than 2.5% (molar)

Obligations with respect to the Gas Safety (Management) Regulations 1996 (GS(M)R) will remain. Therefore, although no direct limits are proposed for nitrogen and total inerts, within this Modification Proposal, the GS(M)R Wobbe Number places indirect limits on these components.

These optional limits could also only be granted at System Entry Points where Transco NTS would not be in breach of any contractual obligations in respect of making compliant gas available at NTS Exit Points.

For clarity, the implementation of these proposed limits for a specific System Entry Point, if requested by a Delivery Facility Operator, would be through amendment of the relevant Network Entry Provisions.

Specific legal text for this purpose is also required because as currently drafted Section I 2.2.3 contemplates that the Network Entry Provisions may be amended for the purposes of the Code by way of a Code Modification following agreement by the Transporter and the Delivery Facility Operator to amend the Network Entry Provisions in respect of a specific Connected Delivery Facility. However Transco NTS wishes that existing Network Entry Provisions may be amended to permit the new inert gas limits at potentially more than one Connected Delivery Facility. In order to avoid having to raise a new Code Modification each time such amendment is agreed with the relevant Delivery Facility Operator, it is proposed that paragraph 2.2 of Section I is modified so that such amended Network Entry Provisions become effective for the purposes of Code each time such amendment is agreed. Such proposal will apply only in respect of an amendment to inert gas limits.

The Proposal, were it to be implemented, would allow Delivery Facility Operators to request the inert gas limits at System Entry Points at the levels specified in Table 1, thereby facilitating their respective contractual inert gas limits towards a common level. The Proposal would not impose changes for System Entry Points – for example those with entry provisions that permit Carbon Dioxide limits in excess of 2.5% may choose to retain their existing arrangements.

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

The Proposer considered that “this Proposal would, if implemented, better facilitate the following Relevant Objectives as set out in its Gas Transporters Licence:

- in respect of Standard Special Condition A11 paragraph 1(a), the Proposal would better facilitate the efficient and economic operation of the NTS pipeline system by expanding the range of gas sources that could be made available at System Entry Points without gas processing being undertaken upstream of the System Entry Point. This would be expected to increase competition in the provision of gas balancing and other system services that Transco NTS must procure to operate its pipeline system;
- in respect of Standard Special Condition A11 paragraph 1(b), the Proposal would better facilitate the co-ordinated, efficient and economic operation of the combined pipe-line system by allowing an increased number of gas sources to flow onto the Total System without gas processing being

undertaken upstream of the System Entry Point. This would assist other relevant transporters to better manage their respective systems;

- in respect of Standard Special Condition A11 paragraph 1(d) (the securing of effective competition), the Proposal would better facilitate the achievement of securing effective competition between the relevant shippers and relevant suppliers by:
 - allowing additional UK gas production fields to be brought on stream;
 - enabling additional ullage capacity and enhancing the availability of proven gas supplies at many Connected Delivery Facilities;
 - allowing some Connected Delivery Facility operators increased scope to process greater quantities of offshore reserves and to extend the life of fields and terminals; and
 - incentivising producers to develop new, proven gas fields with higher inert gas components.”

Views are sought from respondents as to the extent to which implementation of this Modification Proposal might better facilitate the relevant objectives.

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

The Proposer considered that “implementation of this Proposal would enhance security of supply by allowing Delivery Facility Operators the ability to adopt the inert gas limits proposed in table 1, which would increase the number of gas sources that are able to flow into the Total System.”

Views are sought from respondents as to the extent of additional gas, and its timing, that might be available to the system should this Modification Proposal be implemented.

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

a) implications for operation of the System:

The Proposer considered that “implementation of this Proposal would allow Delivery Facility Operators the ability to adopt the inert gas limits proposed in table 1, which would increase the number of gas sources that are able to flow into the Total System. This would increase competition in the provision of gas balancing and other system services that Transco NTS must procure to operate its pipeline system.”

b) development and capital cost and operating cost implications:

The Proposer “did not anticipate incurring any development or capital costs as a consequence of implementing this Modification Proposal.”

Views are sought as to whether there are any development and operational consequences and cost implications that should be considered in the implementation decision.

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

The Proposer “did not believe that this Proposal, if implemented, requires it to recover any additional costs.”

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

The Proposer “did not believe this Proposal, if implemented, would have any consequences on price regulation.”

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

The Proposer considered that “implementation of this Proposal would have no effect on the level of contractual risk of each Transporter.”

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

The Proposer “did not envisage any impact on the UK Link System if this Proposal were to be implemented.”

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

The Proposer believed that “the typical CV of gas delivered will not appreciably change and therefore does not anticipate any significant increase in the costs of CV shrinkage as a consequence of implementing this Modification Proposal.”

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

The Proposer considered that “the implementation of this modification, if Delivery Facility Operators adopt wider inert gas limits, would under most circumstances lead to minimal increases in the levels of Nitrogen and Carbon Dioxide in the gas within the system, and therefore the gas delivered to consumers. However, under extreme scenarios, there could be a modest increase in inerts, for example, where a consumer was close to an entry point at which wider inert gas limits was adopted.”

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

The Proposer has not identified any consequences in this respect.

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

The Proposer identified the following advantages of implementation:

- allow an increased number of gas sources to be brought into the UK without the need to raise a Modification Proposal;
- allow Delivery Facility Operators to request the inert gas limits as in table 1 without having to raise specific UNC Modification Proposals;
- encourage the movement towards a common playing field in respect of contractual inert gas limits.

The Proposer was “unaware of any disadvantages.”

Analysis of any advantages and disadvantages associated with implementation of the Modification Proposal and how these relate to achievement of the relevant objectives are sought from respondents.

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

This report reflects the initial views expressed by the Proposer and the Proposer’s presentation to the September Transmission Workstream.

Representations are now invited.

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

The Proposer has not identified any requirement in this respect.

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

The Proposer has not indicated that implementation is required to satisfy these conditions.

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

The Proposer has not identified any programme of works.

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

The Proposer has expressed a desire to have a Modification Proposal capable of implementation by 1st November 2005.

The consultation period for this Modification Proposal, as agreed by the UNC Modification Panel on 15th September 2005, will be the usual 15 days and therefore this means that effectively only one working day would be available for the SME to produce the Final Modification Report (FMR) if the Proposer's aspirations are to be satisfied. Whilst the SME is under no obligation to produce a FMR within the Proposer's preferred timescale the SME will seek to do so if it is reasonable given the nature, extent and timing of the responses. The SME is therefore unable to guarantee producing the FMR in this timescale. However the probability of meeting the Proposer's aspirations would be greatly enhanced if respondents could submit their representations earlier than the deadline of 7th October 2005. If representations could be completed earlier, and preferably by 30th September, then this might better enable timely production of the FMR to meet the Proposer's aspirations.

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

The Proposer has not identified any implications in this respect.

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

19. Text

**UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL DOCUMENT
SECTION I - ENTRY REQUIREMENTS**

Paragraph 2.2.3 amend to read as follows:

2.2.3 “Where:

- (a) the Transporter and the relevant Delivery Facility Operator have agreed (subject to a Code Modification) upon an amendment to any such Network Entry Provisions, such Network Entry Provisions may be amended for the purposes of the Code by way of Code Modification pursuant to the Modification Rules;
- (b) in respect of any Connected Delivery Facility, the Transporter agrees to a request by a Delivery Facility Operator to amend the Network Entry Provisions to contain revised Inert Gas Limits (without prejudice to any other conditions that have been agreed by the Transporter with the Delivery Facility Operator), then on the date of such agreement the Network Entry Provisions will be amended for the purposes of the Code;

and for which purposes only the Network Entry Provisions shall be deemed to form part of Code.”

Add paragraph 2.2.7 to read:

“

2.2.7 “Inert Gas Limits” means in the case of:

- (a) carbon dioxide, the limit shall be not more than 2.5% (molar);
- (b) nitrogen, there shall be no direct limit.”

Subject Matter Expert sign off:

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

Signature:

Date :

Signed for and on behalf of Relevant Gas Transporters:

Tim Davis
Chief Executive Officer, Joint Office of Gas Transporters

Signature:

Date :