

**Draft Modification Report**  
**Clarification of requirement for flows at DN Offtakes on low demand days**  
**Modification Reference Number 0051**

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:

“When demand in an LDZ falls below 50% of 1-in-20 peak day demand, then Transco NTS may call a low demand Day for that LDZ. On such a Day, DNO’s would be required to offtake gas at a single rate throughout the Day.

Clause 2.5.2 (a) (OAD Section I) states that actual flows of gas at the offtakes in aggregate for that LDZ are to be at a single rate throughout the Day. However, clause 2.5.2 (b) (ii) states that the DNO shall specify, in its OPN, a single rate of offtake of the Day, at each individual offtake.

The configuration of pressure controlled offtakes can dictate that it is impractical to comply with 2.5.2 (b) (ii) because flow rates would not be controlled by DNCC but be driven by consumer demand in the network. However, compliance with 2.5.2 (a) would be possible because a single flow rate into the LDZ could be achieved by making compensating adjustments to volumetrically controlled offtakes that allow for variations at pressure controlled offtakes.

It is therefore proposed that a change be made to 2.5.2 (b) (ii) to achieve a workable solution that best meets the requirements of the Gas National Control Centre (GNCC).

Actual flow rates would continue to be governed by the tolerances allowed in OAD Section I 3.1.

If this Proposal were not implemented then substantial investment would be required in all Distribution Networks to all pressure controlled offtakes to enable them to be offtake gas at a single rate throughout the Day on low demand Days.”

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

The Proposer referred to the following parts of the licence as follows: -

- “ in respect of Standard Special Condition A11 paragraph 1(a), implementation of this Proposal would enable DNO Users to continue to operate their networks as they have done on previous years on low demand Days. If this were not approved, then substantial unnecessary investment would be required in the networks which would not, otherwise, be required by either NTS or the DNs. By preventing this unnecessary investment,

implementation of this Proposal would better facilitate the efficient and economic operation of their pipe-line systems; and

- in respect of Standard Special Condition A11 paragraph 1(b), implementation of this Proposal would enable Transco NTS and DNO Users to operate their networks as they were originally designed to do, which would ensure the continued co-ordinated, efficient and economic operation of the combined pipe-line system.”

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

The Proposer indicated that implementation of the Proposal would address the impracticality of complying with the Code on low demand days (as referred to in UNC OAD I 2.5), as presently drafted, for operation of the System by multiple gas transporters.

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

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

The Proposer indicated that if implemented the Proposal would permit operation of pressure controlled offtakes in the manner they were designed whilst also meeting the needs of the operation of the NTS.

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

The Proposer indicated that if implemented the Proposal would avoid the need for substantial investment to enable all pressure controlled offtakes to offtake gas at a single rate throughout the Day on low demand Days.

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

The Proposer indicated there would be no costs involved in implementation. Cost recovery is therefore not relevant.

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

No such consequences have been identified.

**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 indicated that if implemented the Proposal would remove the risk of a DNO being unable to comply with the Code as presently drafted for low demand Days.

- 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**

No impacts on UK Link and related computer systems have been identified.

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

No such implications have been identified.

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

The Proposal relates solely to offtake from the NTS to DN systems and therefore no such implications are anticipated other than Transco NTS and DNOs.

- 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 indicated that implementation of the Proposal would facilitate Code compliance with existing assets and the risk of non-compliance on low demand Days ahead of potential investment indicated in section 4 b) of this report would therefore be alleviated.

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

The Proposer indicated that the Proposal provided “a workable solution” to permit DNOs to meet the requirements of the Gas National Control Centre on low demand Days through aggregation of flows across each LDZ with existing assets.

The Proposer did not identify any disadvantages.

- 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 of the Proposer and brief discussion in the Offtake Arrangements Workstream on 7<sup>th</sup> September 2005.

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 did not identify any such requirement.

**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**

No such requirement has been identified.

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

The Proposer indicated that implementation requires no programme of works.

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

The Proposer stated “This Proposal should be implemented before next [2006] spring” – i.e. prior to the potential occurrence of a low demand Day.

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

No such implications have been identified.

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

## 19. Text

### UNC – OAD

#### SECTION I - NTS OPERATIONAL FLOWS

*Amend paragraph 2.5 to read as follows:*

##### **2.5 Low demand Days**

- 2.5.1 Where, in relation to any LDZ, LDZ demand for any Day is forecast (in the first LDZ demand forecast on the Preceding Day pursuant to TPD Section H5) to be less than 50% of 1-in-20 peak day demand, Transco NTS may, by giving notice to the DNO not later than 17:00 hours on the Preceding Day, require that paragraph 2.5.2 shall apply, subject to paragraph 2.5.3.
- 2.5.2 Where this paragraph applies, irrespective of the amount (if any) of NTS Offtake (Flexibility) Capacity held by the DNO at any Offtake:
- (a) the DNO shall operate the LDZ and each Offtake such that, subject to the restrictions in paragraph 2.3 on revisions of Offtake Profile Notices, for any given level of LDZ demand, the flows of gas at the Offtakes in aggregate for that LDZ are even throughout the Day;
  - (b) in accordance with paragraph (a):
    - (i) after the DNO has submitted its initial Offtake Profile Notices, a revision of such Offtake Profile Notices under which the aggregate (for all Offtakes serving the LDZ) of the rates of offtake is revised, shall only be made to reflect changes in forecast LDZ demand; and
    - (ii) subject to the requirements of paragraph 4, each Offtake Profile Notice or revision thereof submitted by the DNO shall, in combination with other OPNs, specify a single aggregate rate of offtake into the LDZ~~specify a single rate of offtake~~:
      - (aa) in the case of the initial Offtake Profile Notice(s), for the whole of the Day; and
      - (bb) in the case of any revised Offtake Profile Notice(s), with effect from the time from which the rate of offtake is revised, for the remainder of the Day.
- 2.5.3 Where, in relation to any Day for which Transco gives a notice under paragraph 2.5.1, compliance with paragraph 2.5.2 would (in the reasonable opinion of the DNO) significantly prejudice security of supply or the safe operation of the LDZ:
- (a) the DNO shall so notify Transco NTS promptly upon receipt of Transco NTS' notice;
  - (b) paragraph 2.5.2 shall not apply, but the DNO and Transco NTS will cooperate with a view to agreeing on limits on the variation

of rates of offtake within the Day, and the DNO's Offtake Profile Notices shall comply with the limits so agreed.

***Representations are now sought in respect of this Draft Report and prior to the Transporters finalising the Report***

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 Joint Office of Gas Transporters**

Signature:

Date :