

Modification Report
Clarification of requirement for flows at DN Offtakes on low demand days
Modification Reference Number 0074

Version 2.0

This 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 National Grid 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 the Distribution National Control Centre (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 Distribution Networks (DNs) to all pressure controlled offtakes to enable them to 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 inefficient investment would be triggered in the networks which would not, otherwise, be required by either NTS or the DN's. By removing the requirement for 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 National Grid 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."

NGNTS agreed with the Proposer's statement in respect of better facilitating the achievement of these relevant objectives and pointed out that it would be "*impractical for DNOs to comply with OAD Section I clause 2.5.2 (b) (ii) without undertaking significant investment to alter the way in which gas offtaken from the NTS is controlled.*"

NGUKD reiterated these points in its representation.

In supporting implementation, SGN agreed that "*it would not be safe, economic or efficient to require DNs to operate flat at all offtakes on 'low demand days'*", which is the current UNC requirement. SGN also pointed out that, in the absence of implementation, "*significant investment*" would be required "*in order to ensure DNs could comply.*" SGN concluded that this "*would not facilitate the relevant objectives.*"

SSE agreed that implementation would better facilitate the achievement of economic and efficient investment of pipeline systems by removing the requirement of unnecessary investment. In particular, SSE stated that if this Proposal "were not implemented then it is likely that substantial investment would be required to all pressure controlled offtakes to enable them to take gas at a single rate throughout the day on low demand days."

WWU also believed that implementation would "better facilitate the economic and efficient operation of the distribution pipeline systems. The current legal drafting would lead to significant investment should National Grid Transmission invoke OAD Section I 2.5.2(b)(ii)."

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 this 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.

SGN stated that at "*the most extreme*" the current UNC requirements "*could have implications for safety and security of supply.*" and believed that implementation would address this issue.

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 implementation of this 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.

In its representation, the Proposer NGUKD pointed out that clause 2.5.2 (b) (ii) currently states that "*on low demand days the DNO shall specify a single rate of offtake of the Day at each individual offtake. However the configuration of pressure controlled offtakes can dictate that it is impractical to comply with 2.5.2 (b) (ii) because flow rates are driven by*

consumer demand in the network. Notwithstanding the need for a more fundamental review the proposal seeks to achieve a short term workable solution such that on low demand days the DNO shall specify a single aggregate rate of offtake for offtakes serving the LDZ and that the Offtake Flexibility Quantity shall not be greater than zero in aggregate for the LDZ. This will provide a restriction on those LDZs with positive flexibility requirements but allow those LDZs with antidiurnal capacity requirements to flow antidiurnally on such days."

NGN, referred to discussions in the Offtake Workstream that showed "*the original legal drafting was not as anticipated or required*" and concluded that implementation of this Proposal was "*both practical in terms of operation and necessary to ensure that DNO's can comply with the UNC.*"

SGN also noted that the current UNC wording was "*not consistent with the way in which certain parts of the network have been planned and designed, particularly those with pressure controlled offtakes or minimal flexibility within their own network. A requirement to operate flat on 'low demand days' at offtake level could create operational difficulties and inefficiencies for DNs.*" Whilst supporting this Proposal, SGN did not agree with the Proposer's statement that implementation would "enable DNO Users to continue to operate their networks as they have done on previous years on low demand Days" or as "originally designed to do". SGN suggested that whilst "*this may be the case on some networks it is not the case on all.*"

b) development and capital cost and operating cost implications:

The Proposer indicated that implementation of this 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 implementation of this 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

SSE suggested that if this Proposal were not implemented it would lead to an increase in costs which "*would ultimately feed through into increased costs to customers.*" It is assumed from this statement that Users would be the parties facing such costs and these would be fed through to consumers.

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

SSE suggested that if this Proposal were not implemented it would lead to an increase in costs which "*would ultimately feed through into increased costs to customers.*"

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.

No disadvantages have been identified.

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

Representations were received from the following parties

National Grid NTS	(NGNTS)	Support
National Grid UKD	(NGUKD)	Support
Northern Gas Networks	(NGN)	Support
Scotia Gas Networks	(SGN)	Support
Scottish and Southern Energy plc	(SSE)	Support
Wales and West Utilities	(WWU)	Support

Thus, all six respondents supported implementation of this Proposal.

Consistency of UNC

SGN pointed out that implementation would ensure consistency between the Transportation Principal Document Section I 2.5.2 (b) (ii) and the Offtake Arrangements Document Section I 2.5.2 (a). SGN suggested that there were "*inconsistencies between these two clauses in the UNC, with one specifying that the single rate is at offtake level, the other suggests it is at LDZ level. This has created some uncertainty. The proposed change*

would remove this uncertainty. SGN concluded that implementation would assist in ensuring that all requests and operations would be consistent with the intent of these sections, as reworded.

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

No such requirement has been identified.

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

No programme for works has been identified.

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

The Proposer stated "This Proposal should be implemented before 1 April 2006." - ie prior to the potential occurrence of a low demand Day

NGN supported "*early implementation*" to ensure that DNO's would be "*compliant with the UNC should demand in an LDZ fall below 50% of 1- in- 20 peak demand.*"

SGN agreed that "*implementation should be prior to 1 April 2006, as this is the point at which such requirements could be triggered.*"

WWU also supported "*early implementation... to allow ourselves, and other DNOs, to be compliant with UNC once demand in an LDZ falls below 50% of 1 in 20 peak.*"

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

At the Modification Panel Meeting held on 16 March 2006 with 10 Voting Members present, 10 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal

18. Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

19. Text

UNIFORM NETWORK CODE – OFFTAKE ARRANGEMENTS DOCUMENT

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 National Grid 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 OFQ (determined in accordance with TPD Section B6.5.5) for such Day in respect of all the Offtakes for that LDZ in aggregate is not greater than zero 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 the Offtake Profile Notice(s) for all Offtakes serving the LDZ, or revision thereof of such Offtake Profile Notice(s), submitted by the DNO shall specify a single aggregate 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 National Grid NTS 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 National Grid NTS promptly upon receipt of National Grid NTS' notice;

- (b) paragraph 2.5.2 shall not apply, but the DNO and National Grid 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.

Joint Office of Gas Transporters

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 :