



The Joint Office, Relevant Gas
Transporters and other interested
parties

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Dear Colleague,

30 March 2006

Modification proposal 0074 'Clarification of requirement for flows at DN offtakes on low demand days'

Ofgem¹ has considered the issues raised in the modification report in respect of Uniform Network Code (UNC) modification proposal 0074 '*Clarification of requirement for flow at DN offtakes on low demand days*' 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 0074.

Background

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, Gas Distribution Networks (GDNs) would be required to offtake gas at a single rate throughout the day.

Under clause 2.5.2 (a) (Offtake Arrangements Document (OAD) section I), 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 GDN shall specify, in its Offtake Profile Notice(s), a single rate of offtake of the day, at each individual offtake.

The Modification Proposal

Modification proposal 0074 was raised by National Grid Distribution on 9 February 2006. According to the proposer, 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 on the network. However, the proposer stated that 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.

The proposal is to change the wording of clause 2.5.2 (b) to achieve a workable solution that meets the requirements of the Gas National Control Centre (GNCC). Under this proposal, actual flow rates would continue to be governed by the tolerances allowed in OAD section I 3.1. According to the proposer, if this proposal was not implemented then substantial investment would be required in GDNs to all pressure controlled offtakes to enable them to offtake gas at a single rate throughout the day on low demand days.

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.

Respondents' views

Reasons for support

One respondent noted that discussions in the offtake workstream have shown that the original legal drafting was not as anticipated or required, and as such the revision to an aggregate LDZ requirement is practical in terms of operation and necessary to ensure that GDNs can comply with the UNC.

A number of respondents noted that if this modification was not implemented, substantial investment would be required to enable GDNs to comply with current requirements. In this respect, one respondent stated that this investment would be required to enable all pressure controlled offtakes to take gas at a single rate throughout the day on low demand days and that such investment would be inefficient.

One respondent noted that it would not be safe, economic or efficient to require GDNs to operate flat at all offtakes on low demand days. This respondent noted that this is not consistent with the way in which certain parts of the network have been planned and designed, particularly those with pressure controlled offtake or minimal flexibility within their own network. This respondent considered that a requirement to operate flat on low demand days at offtake level could create operational difficulties and inefficiencies for GDNs and at the most extreme it could have implications for safety and security of supply and ultimately require significant investment in order to ensure GDNs could comply.

The proposer also noted that the proposal seeks to address shortcomings in the current legal drafting of the OAD by providing a short term workable solution such that on low demand days the GDN 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. The proposer said that the proposal would provide a restriction on those LDZs with positive flexibility requirements but allow those LDZs with anti-diurnal capacity requirements to flow anti-diurnally on low demand days.

Implementation date

One respondent supported an early implementation of this proposal to ensure GDNs are compliant with the UNC should demand in an LDZ fall below 50% of 1 in 20 peak demand.

Another respondent agreed that the implementation date should be prior to 1 April 2006, as this is the point at which such requirements could be triggered.

Other comments

One respondent, whilst supporting the proposal, did not agree with the suggestion that the proposed changes would enable GDN users to continue to operate their networks as they have done on previous years on low demand days or as originally designed to do. The respondent stated that this is not the case on all networks. The respondent noted that, in response to concerns it had previously expressed, clause 2.5.3 had been inserted so that where notice is given under 2.5.1 and the GDN believes that it could prejudice security of supply or the safe operation of the LDZ, the GDN and NTS would cooperate and agree alternative limits. The respondent noted that the low demand day provision has never been required on any network since sale.

The proposer stated that it should be recognised that this proposal seeks only to address the shortcomings of the present legal drafting of section I 2.5 of the OAD ahead of this summer and considered that there should be a more comprehensive review of the validity of clause I 2.5.

Panel recommendation

At the modification panel meeting of 16 March 2006, of the ten voting members present, capable of casting ten votes, ten votes were cast in favour of implementing modification proposal 0074. Therefore the panel recommended implementation of the proposal.

Ofgem's view

Ofgem has carefully considered the views raised by all parties in relation to modification proposal 0074.

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 Transporter Licence.

Standard Special Condition A11(1) (a) – the efficient and economic operation of the pipe-line system to which this licence relates, A11(1) (b) –so far as is consistent with sub-paragraph(a), the co-ordinated, efficient and economic operation of (i) the combined pipeline system and/or (ii) the pipe line system of one or more other relevant gas transporters

Ofgem notes the proposer's concerns that under the current UNC drafting GDNs may not be able to comply with clause 2.5.2 (b) (ii) of the OAD Section I on a low demand day. It is also noted that all respondents expressed support for this proposal.

Ofgem accepts the views of the respondents that this modification proposal would facilitate the relevant objectives specified above as it may avoid the need for GDNs to undertake unnecessary investment. Ofgem also notes that National Grid NTS was supportive of this proposal, and considered that it is impractical for GDNs to comply with this clause without undertaking significant investment. On this basis and given that the NTS has not identified any operational concerns with the proposal, Ofgem considers that it should be accepted.

We also note that one respondent considered that there should be a more comprehensive review of the validity of clause I 2.5 in the long term. If users consider this necessary, Ofgem would welcome any industry debate on this clause and will give due consideration to any modification proposals arising as a result of this debate.

Ofgem's decision

For the reasons outlined above, Ofgem has decided to accept modification proposal 0074.

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



Robert Hull
Director, Transmission