

**Modification Report**  
**Amendment of Interconnector UK's Meter Flow Rates**  
**Modification Reference Number 0093**  
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.

"As part of an importation capacity expansion of the Bacton Interconnector, that is taking place this year, an upgrade of Interconnector UK Ltd's (IUK) fiscal metering system at Bacton has been required. This upgrade requires that some technical parameters of IUK's Network Entry Provisions (NEPs) be amended.

IUK's NEPs are contained within its Interconnection Agreement (IA). It is therefore proposed that Annex D, Part 4, Table 1 of IUK's IA – from which the table below is an extract – is amended as follows

	Original range	Upgraded range
Primary Meters Volume Flow Rate (Nm <sup>3</sup> /hour)	86,765 - 2,659,246	86,765 - 3,500,000
Primary Meters Energy Flow Rate (MJ/hour)	3,375,139 - 118,602,357	3,375,139 - 140,000,000

Section I2.2 of the UNC Transportation Principal Document provides that the prevailing NEPs at a System Entry Point (SEP) may only be amended either with the written consent of all Users who hold NTS Entry Capacity at the Aggregate System Entry Point (ASEP) in which the relevant SEP is comprised or by way of a Uniform Network Code Modification. The Proposer wishes to effect this proposed change to IUK's IA by implementation of this Proposal.

If this Proposal is not implemented, the flow rate data in IUK's IA will remain incorrect which may hinder the delivery of additional gas supplies to the UK, to the detriment of security of supply."

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

The Proposer stated the following:

"In the Executive Summary of its Winter 2006/7 Consultation Document, National Grid NTS states that, "the supply-demand outlook for 2006/07 is particularly uncertain, and it is not clear at this stage whether the position will be more or less tight than it was in 2005/06".

Against this background, the upgrade of the Belgian Interconnector is one of four key projects highlighted in that report that are capable of enhancing security of supply for this winter, subject to their timely completion. The approximate import capacity of the

Interconnector is expected to increase from 48 mscmd to 68 mscmd, which this Proposal directly seeks to facilitate.

Such enhanced supply capability is expected to better facilitate the securing of effective competition between relevant shippers and between suppliers and should also help to mitigate the risk of excessive gas prices this winter, thereby better facilitating the efficient and economic operation of the pipe-line system."

No dissent from the above was included in any of the responses to this consultation. Several respondents made explicitly statements that implementation of the proposal would support the relevant objectives defined within the Transporter's Standard Special Conditions A 11.1 (a), (d) and (e).

For example, Gaz de France ESS agreed with the Proposer "*that implementation of this proposal would better facilitate special licence conditions 11.1a 'economic and efficient operation of the pipeline system'. It could also be argued that for similar reasons, condition (e) 'the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects to the availability of gas to their domestic customers' would also be furthered.*" Several respondents, including Scotia Gas Networks, Gaz de France ESS, E.ON UK plc and Statoil (U.K.) Limited Gas Division, made explicit reference to how implementation of the Proposal would enhance the relevant objective defined in Standard Special Condition A 11.1 (d), for example Gaz de France ESS stated "*enhancing the potential for additional supplies would further special licence condition (d) 'securing effective competition between shippers and suppliers' by facilitating an increase in the level of traded NBP volumes, therefore improving market liquidity.*"

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

The Proposer believed that this Proposal, if implemented, would enhance security of supply by facilitating additional volumes of gas to flow into the Total System.

This view was supported by respondents, including Gaz de France ESS and Scottish and Southern Energy plc

The Proposer was unaware of any implications connected with industry fragmentation. No comments in relation to industry fragmentation were apparent in the responses.

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

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

The Proposer stated the following:

"NTS telemetry systems require re-ranging and associated end-to-end tests need to be performed. Subject to these tests proving successful and the receipt of satisfactory measurement uncertainty calculations from IUK, National Grid NTS has agreed to accommodate IUK's metering equipment upgrade as described in this Proposal. The present measurement accuracy tolerance percentages required of IUK's metering equipment will remain unchanged."

The Proposer was unaware of any implications for other Transporters of implementing the Proposal. No other implications for other Transporters were identified in the responses.

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

No development, capital or operating costs (other than those identified above associated with re-ranging and end to end testing) are expected to be incurred as a consequence of implementing this Proposal.

**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, would require 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 that 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 considered that implementation of this Proposal would not affect the administrative and operational costs of Users, nor their level of contractual risk.

**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 this Proposal would impact the IUK terminal operator (referring to measurement uncertainty calculations, testing, and amendment of the Interconnector Agreement).

**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**

No such consequences have been identified.

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

The Proposer stated the following.

"Implementation of this Proposal would contractually recognise the potential for higher import flow rates through the Bacton Interconnector, which National Grid NTS believes would both enhance security of supply and mitigate the risk of excessive gas prices this winter. National Grid NTS is unaware of any disadvantages."

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

10 responses were received in response to the consultation. These were received from:

Gaz de France ESS

Scottish and Southern Energy plc

Interconnector (UK) Ltd

British Gas Trading

E.ON UK plc

National Grid Gas NTS

National Grid Gas plc (UK Distribution)

RWE npower

Scotia Gas Networks

Statoil (U.K.) Limited Gas Division.

All responses supported implementation of the Proposal.

**Use of UNC Modification Proposal to Effect Change**

Gaz de France ESS welcomed that this change had *"been brought forward by means of a modification proposal to the Uniform Network Code rather than the alternative route of written consent of applicable capacity holders. This allows for a wider range of views from all interested parties and this approach supports good governance."*

**Gas Market Impacts**

Scottish and Southern Energy plc stated that implementation of the proposal would *"ensure that additional gas will be able to flow into the UK, thereby mitigating the risk of excessive gas prices and assisting security of supply"*.

**Reducing the Potential for a Gas Deficit Emergency**

Gaz de France indicated that *"the proposal would remove a potential barrier to additional gas deliveries and at times of system stress this could reduce the potential for a Gas Deficit Emergency."*

### **Administrative “Housekeeping” Change**

British Gas Trading concluded this was “*a very straightforward administrative change, without which the capacity of the interconnector will be artificially constrained*”.

National Grid Gas plc (UK Distribution) regarded implementation of this proposal as a “*sensible, pragmatic step which should help to ensure that the capacity of the Interconnector, and its ability to import gas into the UK, is not limited by the ability of the meters to measure the flows.*”

RWE npower regarded this Modification Proposal “*very much as a ‘housekeeping’ proposal and do not believe there are any adverse implications associated with implementation.*”

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

None have 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**

There is no such requirement.

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

Following metering acceptance, implementation would be effected by a modification to the text of IUK's Interconnection Agreement. Therefore no change to the UNC text is required.

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

The Proposer suggested a 1 September 2006 implementation date.

British Gas Trading agreed with this change “*being implemented as soon as reasonably practicable, and at least in advance of the coming winter 2006/7.*”

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

None 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 17 August 2006, of the 6 Voting Members present, capable of casting 10 votes, 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**

No legal text is required to implement this Modification Proposal.

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 Transporters**

Signature:

Date :