

Draft Modification Report
Amendment to OPN/SFN Submission Times
Modification Reference Number 0100
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

Version 3.0 of the Proposal was as follows:

"Where capitalised words and phrases are used within this Modification Proposal, those words and phrases shall usually have the meaning given within the Uniform Network Code (unless they are otherwise defined in this Modification Report). Key UNC defined terms used in this Modification Proposal are highlighted by an asterisk () when first used. This Modification Proposal, as with all Modification Proposals, should be read in conjunction with the prevailing UNC.*

The Ofgem consultation document "Potential new System Operator quality of information incentive schemes for National Grid Gas" and the subsequent final proposals document focus on National Grid Gas's performance in the provision and accuracy of market data. This came in response to criticism received from some market participants during winter 2005/06.

Ofgem believe that the improved delivery of market information, in particular the gas demand forecast, to market participants will deliver significant benefits to the industry. The two key benefits quoted by Ofgem were the potential for reducing gas price volatility and the increased efficiency of balancing actions undertaken by the residual balancer.

This modification proposal seeks to make improvements to the gas demand forecasting service.

National Grid NTS notifies gas demand to Users from 14:00 hours on the preceding day until 00:00 hours on the Gas Day in accordance with times specified in the UNC. From October 2006 National Grid NTS is likely to be incentivised on the accuracy of this forecast, specifically the day-ahead demand forecast produced prior to 14:00 hours.

National Grid NTS has examined the elements that constitute the demand forecast, specifically the day-ahead 14:00 hours demand forecast, from an information 'availability' perspective and believes that earlier provision of certain key pieces of information will lead to improvements in the accuracy of the gas demand forecast.

In particular, under the generic terms of the Network Exit Agreement (NExA)* and the Storage Connection Agreement (SCA)*, Offtake Profile Notices (OPNs)* and Storage Flow Notices (SFNs) are not required to be sent to the Transporter until 17.00 hrs on D-1. ie considerably after the 14.00 demand forecast.

The Interconnector Agreement generic terms differ from that of the NExA and SCA and specify an OPN submission time of D-1 16:00.

This proposal seeks to amend the provisions within the Uniform Network Code Section J and the Offtake Arrangements Document Section I pertaining to Network Exit Provisions*. Specifically, the Proposal seeks to redefine the submission times for the initial NTS OPN/SFN as being 12:00 and the DN OPN as being 12:30.

Non-implementation of this modification proposal will mean that National Grid NTS (and other Transporters) will continue to produce their 14.00 demand forecast without the benefit of knowing how major connected loads and Storage Operators plan to operate. As a result of this the existing inaccuracies due to lack of information are likely to continue and the benefits detailed in this Proposal are less likely to be realised.

Earlier provision of the data however does not guarantee continued accuracy of the data. Thus there may be scope for further improvements, in the future, to incentivise the delivery of more accurate notifications."

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

The Proposer suggested that implementation of this Proposal would better facilitate the achievement of the Relevant Objectives specified in Standard Special Condition A11 as follows:

- "The Proposal would improve *"the efficient and economic operation of the pipeline system"* (A11.1a). By enabling Transporters to provide more accurate demand forecast at an earlier stage, thus enabling the market to better plan its actions for the forthcoming day."

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

The Proposer suggested that "More accurate demand forecasts will contribute towards an improved assessment of the supply demand balance and may therefore result in the avoidance of inefficient balancing actions which could in turn improve the operation the system."

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

a) implications for operation of the System:

If implementation resulted in more accurate demand forecasts the requirement for Residual System Balancing by the System Operator might be reduced as Users would be able to balance their portfolios more accurately.

b) development and capital cost and operating cost implications:

The Proposer did not anticipate that this Proposal would result in any such costs. Indirectly, if implementation resulted in more accurate demand forecasts, any reduction in the requirements for Residual System Balancing on tight supply/demand days might be expected to reduce SO costs.

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 advocate specific cost recovery. Any changes to SO costs in Residual System Balancing would be reflected in Balancing Neutrality.

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

No such consequences are anticipated.

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

As Proposer, National Grid NTS did not identify any such consequences. Implementation would require Distribution Network Operators to submit their Initial Offtake Profile Notices by 12:30 hours on D-1 compared to the present 18:00 hours.

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 UK Link System implications are anticipated by the Proposer. Some impact on the related computers systems of Users might be anticipated.

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

The Proposer identified, "Implementation of the Proposal will require changes to Users' operational processes in order to provide data to National Grid NTS earlier than is currently required. "

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

Operators (and associated bodies) downstream of System Exit Points would need to consider the need for changes to their operational processes and arrangements in order to provide data to National Grid NTS earlier than is currently required.

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

Users, Operators (and associated bodies) downstream of System Exit Points may require changes to their contracts in order to provide data to National Grid NTS earlier than is currently required.

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

The Proposer suggested the following advantage;

"Implementation of this Proposal would improve the efficiency and accuracy of the demand forecasting process by ensuring that more constituent parts of the forecast are available to National Grid NTS prior to the production of the 14.00 D-1 demand forecast.

The production of a more accurate demand forecast would potentially reduce volatility in gas prices and improve the efficiency of balancing actions undertaken by the residual balancer."

The Proposer did not identify any disadvantages but noted "Earlier provision of the data however does not guarantee continued accuracy of the data." and some attendees at the Transmission Workstream on 3 August 2006 expressed concern about the likely or potential effects on downstream parties.

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

Written 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

Implementation is not required to facilitate such compliance.

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

Implementation is not 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.

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

The Proposer did not identify any programme for works.

Some attendees at the Transmission Workstream on 3 August 2006 indicated there may be considerable work needed on operational processes and contracts for downstream parties.

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

The Proposer suggested that this Proposal is implemented as soon as practically possible and in any event is implemented prior to Winter 2006.

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

UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL DOCUMENT

SECTION J – EXIT REQUIREMENTS

Amend paragraph 4.5.1 to read as follows:

"4.5.1 In relation to a relevant System Exit Point, a notification ("**Offtake Profile Notice**") shall be provided to the Transporter, not later than:

(a) the time specified in paragraph 2 of Section I of the Offtake Arrangements Document in respect of an NTS/LDZ Offtake and

(b) 12:00 hours on the Preceding Day in respect of any other System Exit Point; specified in the Network Exit Provisions

setting out rates of offtake throughout the Gas Flow Day."

UNIFORM NETWORK CODE – OFFTAKE ARRANGEMENTS DOCUMENT

SECTION I – NTS OPERATIONAL FLOWS

Amend paragraph 2.2.1 to read as follows:

"2.2.1 For the purposes of TPD Section J4.5.1, the time by which the Offtake Profile Notice for a Day is to be submitted to National Grid NTS is 12:30 hours on the Preceding Day"

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

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 :