

CODE MODIFICATION PROPOSAL No. 0100
"Amendment to OPN/SFN Submission Times "
Version 3.0

Date: 09/08/2006

Proposed Implementation Date: 01/10/2006

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

Discussed within the Uniform Network Code (UNC) Transmission Workstream on 3rd August with a view to it going out to consultation following the meeting of the Modification Panel on the 17th August.

Nature and Purpose of Proposal (including consequence of non implementation)

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.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

National Grid NTS believes 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 pipe-line 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.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

a. Proposed implementation timetable

National Grid NTS suggest that this Proposal is implemented as soon as practically possible and in any event is implemented prior to Winter 2006.

National Grid NTS believes that the following timetable should be adopted:

| Action | Due Date |
|--|-----------------|
| Submit proposal for discussion at workstream | 03/08/06 |
| Submit to UNC panel | 10/08/06 |
| Draft Mod Report | 21/08/06 |
| Representations close out | 11/09/06 |
| Final Mod Report | 14/09/06 |
| Panel Recommendation | 21/09/06 |
| Ofgem Decision | 28/09/06 |

b. Proposed legal 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"

c. Advantages of the Proposal

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.

d. Disadvantages of the Proposal

None identified.

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

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.

f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including

i. implications for operation of the System

Implementing the Proposal will not effect the operation of the system.

ii. development and capital cost and operating cost implications

It is not anticipated that this Proposal will result in any such costs.

iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs

It is not anticipated that this Proposal will result in any increased costs.

iv. analysis of the consequences (if any) this proposal would have on price regulation

No such consequences are anticipated.

g. 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

No such consequences are anticipated.

h. 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 system implications are anticipated.

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

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.

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document Section J - Exit Requirements 4.5

Offtake Arrangements Document Section I - NTS Operational Flows 2.2.1

Proposer's Representative

Ritchard Hewitt (National Grid NTS)

Proposer

Richard Court (National Grid NTS)

Signature

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