

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

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"* (A11.1 (a)). 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"

AEP was unsure whether implementation would further the relevant objectives. It commented that *"NG demand forecasts may improve if OPNs are provided earlier but it is by no means certain that forecasts will improve."*

BGES stated that *"if earlier demand forecasts are perceived to be inaccurate or incomplete this in turn could lead to less trust in the early publications of such forecasts and so may have a perverse impact on the market"*

EDFE stated that it *"actively uses the day ahead and within day demand forecasts provided by NGG to balance its position, and are therefore heavily reliant upon this information. We are aware that under the current regime NGG constructs its D-1 forecast with little, or no, knowledge of what the market's intentions are in relation to offtakes from the system and flows from storage facilities. We believe that Users of these exit/entry points will have a far better view on how these points will operate at the D-1 stage than NGG, and so by communicating this information at the D-1 12.00 through an OPN/SFN submission, NGG will be able to develop a more accurate D-1 14.00 forecast. We believe that this will allow shippers to better plan their actions to balance their portfolio and enable the Transporter to operate its pipeline more efficiently and economically, in accordance with Standard Special Condition A11.1 (a)."*

energywatch agreed with the Proposer's statement and believed that *"further transparency and greater accuracy of demand forecasting at relevant times will have the benefit of providing better signals to market participants about the commercial actions they need to take in response. This should lead to more efficient operation of the system,..."*

GdF pointed out that no analysis had been provided on *“how this information would be better than the DM output nominations currently provided by shippers at 13.00. Indeed, in the proposal itself National Grid seem unconvinced of the merits; “earlier provision of the data does not guarantee continued accuracy of the data” which re-enforces points made by shippers and storage operators at Transmission Workstream on 3 August 2006. For this reason the proposal may actually be counter-productive for demand forecast accuracy and in light of this uncertainty we cannot support the view that this will better facilitate relevant objective A11.1a.....”*

IUK did *“not agree that this modification would improve the efficient operation of National Grid’s system. The accuracy of the data provided at 11:00 hours would be very poor, potentially resulting in misleading signals to the market.”*

NGNTS acknowledged *“that not all parties will immediately be able to provide the most accurate data under the proposed timeframes, however we feel that some level of improvement over the current situation is likely to be achievable by some if not all parties immediately and that this will assist in better facilitating the relevant objectives detailed in the Proposal. We recognise the uncertainty inherent in any demand forecast but feel that a forecast built, in part, upon information provided by the parties proposing to offtake gas has more merit than one derived in isolation by the Transporter.”*

STUK believed it was *“important to balance the risk of providing more timely information against the accuracy of the information given. With respect to the amendment to OPN / SFN submission times, providing information at an earlier stage in the process would lead to the submission of inaccurate information, which has the potential to mislead the market, and, therefore, impede the efficient and economic operation of the pipeline system.”*

GdF also referred to relevant objective A11.1 (d) in stating that changing submission times *“will disturb current shipper processes and result in additional costs resulting from system changes and increased administrative burdens. Contract changes may be required between shippers and large consumers/storage operators to accommodate the proposed changes, imposing costs on these parties. The cost burden associated with these changes would be detrimental for relevant objective 11.1d...”*

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.”*

EDFE believed that *“by providing a more accurate demand forecast at D-1 14.00 shippers will be able to balance their position more effectively with knock on impacts on security of supply, and reducing the number of balancing actions required of the transporter.”*

energywatch agreed that *“more efficient operation of the pipeline system will improve security of supply. The costs of providing the data requested earlier should be outweighed by the benefit of lower system operation costs.”*

IUK did not agree *“that inefficient balancing actions will be avoided. The release of demand forecasts based on inaccurate data could lead to volatile trading patterns in the market.”*

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.

Energywatch believed that implementation would lead to a reduction in NG NTS' costs of balancing.

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 computer systems of Users might be anticipated.

IUK confirmed that in its case it would incur additional systems costs.

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. "

AEP asked whether there was a risk, if this Proposal were implemented *"that more than one forecast might be made available to shippers and consumers via the website or Gemini systems? If this is a potential unintended consequence of these proposals then the implications of this should be explored further before this proposal is implemented."*

BGT pointed out that in a number of cases, *"it is also likely that shippers would need to amend existing contracts with large customers in order obtain the necessary data earlier. This in itself is unlikely to be a cheap or simple task, not only due to any knock on effect to those customers' systems and processes, but also since customers are unlikely to recognise any benefits to themselves of such earlier provision."*

EDFE recognised *"that some minor adjustments of our administrative practices may be required, however we do not believe that there will any costs associated with these adjustments and believe that the benefits associated with the improved accuracy of NGG's D-1 14.00 will greatly outweigh this. For clarity we currently submit our OPN submissions several hours before the current 17.00 D-1 requirement and have not identified any significant operational issues with submitting OPNs at 12.00 D-1 or earlier."*

MA suggested that *"any subsequent move forward in the submission times for our registered Shippers will also pose difficulty for many of the Shippers who may be dependant on other D-1 administration processes to run before they can calculate their initial Nominations."* MA concluded from this that *"Shippers may be encouraged not to submit an initial Nomination at all, only submitting Renominations after 18:00 on D-1; which will reduce the accuracy of NGG's estimates."*

STUK suggested that the *"Transporter's demand forecast, based on earlier submission times, would be unreliable and may send out the wrong signals to Users, thwarting the market's ability to plan its actions for the forthcoming day, in response to that forecast and reducing market confidence."*

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.

AEP agreed that there would be consequences for operational procedures. It pointed out that in some cases *"where there is a simple relationship between the downstream party and the shipper (for example in the case of a power station operator and shipper being part of the same company) earlier provision of an OPN may be achieved easily. In other cases where there are more complex relationships these timings may be included in contracts which will need revision which may not be practical in the short implementation timescale being sought. A particular example of this was flagged at the workstream meeting in relation to the IUK interconnector, where there are interactions with downstream contracts and many parties involved at the offtake."*

CSL was *"unsure that the UNC can currently be used to cause facility operators or Users to change the times of Flow Notification submission. The current UNC is not clear which party is responsible for providing DFN's nor submission times or liabilities for connection*

points (other than LDZ off-takes). Implementation of this modification may rely upon NGT's ability to re-negotiate a large number of connection agreements with facility operators and Users. If the code is to be modified to include the requirement to provide Flow Notifications on Users (which is unclear in this modification) then we believe a separate modification should be raised to make that change."

EDFE recognised that "there may be some operational implications for parties with downstream interests. We also believe that implementation of this modification may improve the accuracy of the D-1 14.00 demand forecast, which will in turn have knock on benefits for Consumers and the market as the whole, as identified in Ofgem's consultation document on Quality of Information Incentives (Ref 88/06). We therefore believe that any costs associated with the implementation of this modification will be outweighed by the benefits that will be delivered to the market."

In supporting implementation, energywatch pointed out that in a "tight gas supply market, good quality information will be vital to mitigate the potential for high wholesale gas prices as were seen last winter, with their adverse effect on all consumers but particularly the most vulnerable." and expressed the hope that "this modification will help to avoid a repeat this winter." energywatch also anticipated that "costs to consumers would come down over time through the use of more accurate demand forecasts."

IUK suggested that implementation would have "consequences beyond the scope of UNC parties and would incur additional costs which have not been taken into account."

MA pointed out, in respect of the Moffat Administration Agreement, that with the "level of administration that is required to compile Nominations from the 23 Active Shippers daily (August data) on 25 different contracts, amending the OPN submission time to noon will be very difficult for the Agent to achieve on an Operational level, even with a change in the submission times for our member Shippers initial Nominations."

MA also pointed out in terms of additional costs and risks that:

"Modification of IT Systems (i.e. the GTMS system for the Agent) plus many Shippers individual Gas management systems will have significant development costs for both the Agent and for individual member Shippers.

Modifying the Agreements will have Development and Legal cost implications for the Agency Shippers.

The daily processing of an increased number of Renominations once Shippers amend their initial Nominations later in the Gas Day

Shippers with Contracts that limit the number of Renominations will be put at a disadvantage by being obligated to Nominate and Match earlier in the Day."

BGES commented that it would "have to amend existing contracts with its larger customers in order to produce nominations earlier. This would directly contribute to increased costs to both the shipper and customers as existing systems and procedures will have to be changed"

NGNTS acknowledged concerns raised in respect of third party arrangements but believed that "these concerns should not delay the implementation of the Proposal. During any period required to put in place any necessary procedural or contractual changes the

Proposal would require the OPNs provided to represent the best information available to the OPN provider at the time of submission. We acknowledge that in some cases the process changes will take time to implement and that improvements to the information will follow.” NGNTS maintained that in *“the majority of cases the party submitting the OPN is likely to be able to forecast their own gas demands more effectively and accurately than National Grid NTS.”*

TGP considered that this Proposal was not *“consistent with current operational practices, particularly for interconnector parties and further that its implementation would lead to significant development and implementation costs.”* TGP identified that substantial co-ordination was *“required at these points to ensure that individual nominations are validated between buyers and sellers to ensure that flow nominations may be accurately provided to the relevant transporters. Many of these activities are presently conducted during the period in which the proposed OPN submission would be expected, it is therefore by no means certain that implementation of the proposal would improve the quality of this information and hence further the relevant objectives.”*

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.

IUK having entered into an Interconnection Agreement with a predecessor of National Grid in 1998 pointed out that the *“agreement is bi-lateral and has been modified by agreement of the parties several times since the original agreement was put in place. Modification 100 appears to set a worrying precedent whereby National Grid is apparently seeking to change a principle term of the agreement outside the established bi-lateral negotiation process without having first consulted with IUK. IUK is disappointed that National Grid has failed to consult with IUK first on this matter and trusts that this unusual approach will not be adopted in the future.”* IUK concluded from this that the extent *“to which National Grid is able to impose the changes envisaged in this modification into connection agreements is subject to legal review.”*

MA pointed out that if this Proposal were implemented this *“would require a series of amendments to both the Moffat Administration and OPN Agency Agreements and it is understood that a modification may also be required to the Connected Systems Agreement (CSA) at Moffat, as well as significant changes to current operating procedures.*

Operationally the summary of the various times as stated in the Moffat Administration and OPN Agency Agreements oblige;-

- *Irish Shippers to submit their initial Nomination by 10:00 on D-1*
- *NTS Shippers to submit their initial Nomination by 11:00 on D-1*
- *The Agent to compile all Nominations and generate any required Mismatch Notices which are circulated to mismatched Shippers by 12:30 on D-1.*
- *Shippers then have until 15:00 on D-1 to submit Correction Nominations*

- *If no matching Correction Nominations are received at 15:30 the Agent applies a Default quantity on that contract for inclusion on the matching matrix*
- *On production of a matched matrix, the sum of all contracts – the EODQ (End of Day Quantity) is then advised to the OPN Agent by 16:00*
- *The OPN Agent prepares the profile in accordance with the principals in the CSA Agreement and is then obliged to submit the initial profile to NGG by 17:00 on D-1.”*

MA pointed out that 31 Shippers were presently registered at Moffat (17 NTS Shippers, 14 Irish Shippers and 2 additional Shippers for which the registration would be effective 1 October 2006)

SGN stated that *“consideration has not been given to potential consequences for bilateral agreements, particularly NExAs. To accommodate this proposal SGN believe NExAs would need to be renegotiated with each individual End User, and this is likely to take time to agree. Furthermore, we believe there will also be operational and procedural consequences that have not been thought through and will take time to implement.”*

It was STUK’s understanding that there were *“clear operational and cost impediments to implementation of this proposal, with particular reference to storage sites and interconnectors. The proposal would require changes to a host of other User Agreements and contracts with customers, which we do not envisage could be achieved in time for this winter.”*

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

The Proposer suggested the following advantages;

- *"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.

IUK responded that improvements in demand forecast accuracy *“would only follow if accurate data is supplied to National Grid according to the new timetable. In the case of the Interconnector more accurate data is not available prior to 12:00 hours D-1.”*

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:

Association of Electricity Producers	AEP	Not in Support
Bord Gais Energy Supply	BGES	Not in Support
British Gas Trading Limited	BGT	Not in Support
Centrica Storage Limited	CSL	Not in Support
EDF Energy	EDFE	Support
Energywatch	energywatch	Support
Gaz de France ESS	GdF	Not in Support
Interconnector (UK) Ltd	IUK	Not in Support
Moffat Agent	MA	Not in Support
National Grid NTS	NGNTS	Support
National Grid UK Distribution	NGUKD	Not in Support
RWE npower	RWE	Not in Support
Scotia Gas Networks	SGN	Not in Support
Statoil (U.K.) Ltd	STUK	Not in Support
Total Gas & Power Limited	TGP	Not in Support

Thus, three representations were in support of implementation and twelve were not in support of implementation.

Comments were made on the following:

Accuracy of Demand Forecasts

AEP suggested that *"NTS connected load may renominate its demand at any time and may do so in a manner that is not easy to predict. Indeed a brief review of the daily summary report shows that total demand is not well correlated with demand implied by the composite weather variable."* AEP referred to a statement made by the Proposer at the August Transmission Workstream that OPN/SFNs had been found to be more reliable than DM nominations but pointed out that no analysis was presented to support this view. AEP suggested that if OPNs/SFNs were more accurate it may be *"because they are provided several hours after the initial DM nominations. It is therefore not self evident that earlier provision of OPNs /SFNs will enable transporters to provide more accurate demand forecasts at 1400 D-1 than at present."*

BGT believed *"that where high quality data is unavailable for submission to NGG, an incentive will be created for Users to submit poor quality, or even meaningless, data, in order to achieve the UNC requirement. Parties would then make greater use of any renomination opportunity of in order to correct their positions later in the gas day."*

CSL reviewed nominations previously submitted to them and concluded that *"very few if any, of our clients place their nominations before midday D-1. This is because we publish at 12:00 our day-ahead Daily Injection Adjustment Factor (DIAF) which clients are then able to place firm nominations based on this DIAF. We have also noticed some clients place nominations close to the lead time therefore it is possible to receive a nomination a few hours before the beginning of the gas day. Therefore any information that we provide to NGT at 12:00 would be inaccurate and misleading."* CSL pointed out that its customers *"are not obliged to provide CSL with a flow forecast for 12:00 D-1 and can delay until late into the night before the gas flow day. Therefore CSL is not in a position to forecast what*

our clients are intending to flow at 12:00. If CSL were to use it's own judgement to forecast the nomination at 12:00 then the market would be influenced by our conjecture and could expose us to accusations of market manipulation." CSL also pointed out that its SFNs were "based on information provided by users which NGT already has access to via Gemini. Provision of the DFN's at 12:00 will therefore only duplicate any information already available on Gemini."

energywatch agreed that earlier provision *"of the data sought by NGG should, over time, increase the accuracy of the demand forecast."*

IUK pointed out that the Proposal took "no account of downstream business rules or the systems development involved. It pre-supposes that connected systems hold accurate information concerning flows at 11:00 hours D-1 in order that a 12:00 hours OPN can be supplied. While this may possibly be the case for some large industrial loads or for power generation, in the case of IUK's operation Shippers do not determine their requirements until later in the day." IUK also pointed out that the "continental markets and the nomination timetables have recently been harmonized... Shippers and operators have adjusted to this new timetable and are not in a position to provide meaningful data in the timescales envisaged by this modification." IUK referred to the "existing National Grid D-1 timetable" that requires "NTS Shippers to submit DM nominations by 12:00 hours D-1 already." And concluded that NGNTS is, "already aware of its Shippers' intentions". In summary, IUK believed that implementation "would fail to achieve its central objective as collection of inaccurate data at 12:00 hours will not lead to an improvement in the 14:00 hours demand forecast."

MA suspected that *"the earlier that Shippers are obliged to submit Nominations, the more likely the Nominations are to be subsequently revised. The Agent fails to see how the provision of earlier Initial OPN's on D-1 will result in more accurate data for NGG."*

NG UKD believed *"an additional requirement for DN Operators to pass Offtake Profile Notifications ("OPNs") to NTS earlier, which are not required for demand forecasting purposes, would degrade the accuracy of Total System demand forecast and increase costs. Supplying LDZ demand forecasts and OPNs in sufficient time to meet a 12.30 deadline would require additional time to process the raw weather data, which would require it to be obtained from the Met Office sooner. We believe this would increase the likelihood of the weather forecast data not reflecting the actual weather patterns on gas day D, thereby degrading the accuracy of the Total System demand forecast."*

RWE was unclear on why *"NG think that receiving OPNs at 12:00 (as opposed to 17:00) will improve their ability to forecast total NTS throughput day ahead. Shippers have obligations under the UNC and their licence to accurately nominate their gas inputs and offtakes. In the case of directly connected NTS Exit Points they are obliged to provide this information to NG no later than 13:00 day ahead as part of their output nominations. If OPNs are required to be submitted before this time, shippers may have to make up figures for their OPN submission if they have not received output nominations from sites beforehand. This could lead to less accurate OPN information being submitted." RWE suggested instead that bringing "the OPN submission time forward 5 hours lessens the likelihood of shippers being able to submit an accurate profile of how gas will be offtaken*

initially, and increases the likelihood of them having to submit more accurate OPNs at a later time.”

NG have previously claimed that OPN information is more accurate than the nomination information provided to them, although we have seen no recent evidence to justify this claim. Whilst there are bound to be differences at any one time, due to the fact that output nominations and OPNs may not be submitted at exactly the same time, we struggle to see why output nominations should not equate to the sum of the hourly offtakes included in an OPN. If the claim is based on the fact that initial OPN submissions are currently more accurate than the initial output nominations this is no doubt due to the fact that shippers currently have an extra 4 hours to submit OPNs under the terms of their NExA.”

SGN believed that “earlier provisions of information will not be of any significant value. It is likely that more assumptions may have to be made by those providing the information at an earlier stage. This may not therefore deliver the level of benefit anticipated. There needs to be a balance between accuracy and timeliness of information and SGN are concerned that earlier provision of information in this case will not improve accuracy.”

European Harmonisation

AEP suggested consideration of the ERGEG regional gas markets initiative and the interactions any implementation of this Proposal might have with the harmonisation of nomination procedures across the EU North West markets.

IUK pointed out that the “European Association for the Streamlining of Energy Exchange – Gas (“EASEE-gas”) has approved Common Business Practice (“CBP”) 2003-002/01 ‘Harmonisation of the Nomination and Matching Process’ in order to align business processes across Europe. This common business practice, although voluntary, defines the timing of nominations by Shippers to TSOs as well as the timing of information flows between adjacent TSOs and was implemented across most of Europe as recently as October last year.

As a member of EASEE-gas it is surprising that National Grid appears to be disregarding this CBP so soon after its implementation by neighbouring TSO’s. The wide implementation of this CBP means that TSOs and market hubs are aligned with a unified timetable across continental Europe and IUK’s nominations and information flows are also aligned with this timetable.

Under this timetable, Shippers provide their nominations to TSOs by 13:00 hours (UK time) for the next day. Consequently, any data available prior to 11:00 hours is likely to be of questionable accuracy.”

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.

A number of representations indicated there may be considerable work needed on operational processes and contracts for downstream parties. These have been summarised above.

In addition, MA pointed out that a *“series of timings changes throughout Section 5 of the MAA and Section 3 of the OPNA will be required. Per the modification process in the MAA & OPN, Modifications to the Agreements cannot be achieved in the short timeframe before 1st October 2006 as presently proposed by NGG.”*

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.

AEP considered that *“as this proposal might lead to more OPNs/SFNs being submitted as anticipated offtake flows are updated that this proposal, if implemented, should be implemented at the same time as the systems to facilitate electronic submission of OPNs to mitigate against any increased administrative burden that might otherwise arise for consumers and shippers.”*

Due to the requirement of amending existing contracts with large consumers BGT did not agree *“that implementation is at all possible prior to winter 2006. Indeed, we believe that 6-9 months is a more realistic timetable should a decision be made to implement this proposal.”*

IUK suggested the *“proposed revised timetable does not align with the aims of the European harmonization process, which was implemented by most TSOs by 1/10/05...”*

MA also made similar comments in respect of the Moffat Administration Agreement.

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 21 September 2006, of the 8 Voting Members present, capable of casting 10 votes, 1 vote was cast in favour of implementing this

Modification Proposal. Therefore the Panel did not 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 - 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"

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 :