

**Modification Report**  
**Amendment of Px's Network Entry Agreement**  
**Modification Reference Number 0110**  
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**

Px (Teesside Gas Processing Plant) Limited ("Px") are one of the delivery facility operators at the Teesside Aggregate System Entry Point (ASEP).

Excelerate Energy are in the process of installing an LNG gasification shipping operation to deliver additional volumes of gas into the Px sub-terminal which are planned to commence in the middle of this coming winter. A new metering installation is required at the sub-terminal for the Excelerate connection which will be combined with the existing Px metering system to produce an new consolidated metering package for the Px sub-terminal.

These works require that some technical parameters of Px's Network Entry Provisions (NEPs) relating to the metering system be amended.

Px's NEPs are contained within its Network Entry Agreement (NEA). It is therefore proposed that certain references in Schedule 4 – Measurement Provisions of Px's NEA are amended as follows:

Parameter	Present Permitted Range	Revised Permitted Range
Volume Flow Rate (CM/hour)	0 – 600,000	0 – 1,400,000
Energy Flow Rate	0 – 240,000 MJ/hour	0 – 55,000 GJ/hour
Instantaneous standard volume flow rate (MSCM/day)	0 – 14.4	0 – 32.0
Instantaneous energy flow rate (TJ/day)	0 – 576	0 – 1,250
Integrated standard volume flow (MSCM/day)	0 – 14.4	0 – 32.0
Integrated energy flow (TJ/day)	0 – 576	0 – 1,250

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 Px's NEA by implementation of this Proposal.

If this Proposal is not implemented, certain of the metering parameters in Px's NEA will become 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**

**1(a) the efficient and economical operation of the pipe-line system**

The Proposer believed that the provision of enhanced supply capability should "help to mitigate the risk of excessive gas prices this winter," thereby facilitating the achievement of this objective.

BGT also believed implementation would facilitate the achievement of this objective.

SGN believed that implementation "*should also help to mitigate the risk of excessive gas prices this winter*" and thereby facilitate the achievement of this objective.

**1(d) so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition: (i) between relevant Shippers**

The Proposer referred to its statement in the Executive Summary of its Winter 2006/7 Consultation Document, 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". Following the receipt of responses to that consultation, in its update document issued in July 2006, the Proposer also stated that, "a high degree of uncertainty remains, with a wide range of possible outcomes around the revised base case."

The Proposer also stated that against "this background, the proposed changes at the Px sub-terminal at Teesside are capable of enhancing the UK's security of supply for this winter, subject to timely completion of the necessary technical and commercial changes. As a result of the proposed change, Px's approximate supply capability at Teesside is expected to increase by up to 12 mscmd, which this Proposal directly seeks to facilitate." It, therefore, concluded that the provision of this enhanced supply capability would be expected to facilitate the achievement of this objective.

BGT also believed implementation would facilitate the achievement of this objective.

SGN believed that "*by increasing the supply capability at Teesside*", implementation would facilitate the achievement of this objective.

**1(e) so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards ... are satisfied as respects the availability of gas to their domestic customers;**

BGT also believed implementation would facilitate the achievement of this objective

**1(f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of...the uniform network code.**

BGT believed that "*correcting the existing error within Px's NEA*" would facilitate the achievement of this objective.

**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.”

NGUKD believed that implementation “*would ensure that the capacity of the terminal, and its ability to deliver gas into the UK gas network, is not limited by the ability of the input meters to measure the flow. As such, increasing the capacity of these input meters in the Network Entry Provisions would be another incremental improvement to help maximise the volume of gas delivered by shippers included in the Px arrangement and, accordingly, would increase supply availability to the UK gas market.*”

SGN also believed that implementation would enhance security of supply.

The Proposer was “unaware of any implications connected with industry fragmentation.”

SSE believed that if the metering changes identified within this modification proposal were not implemented “the delivery of additional gas to the UK may be hindered to the detriment of security of supply.”

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

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

The Proposer identified reconfiguration of “the gas telemetry system for new signals and increased flow parameters will be required, together with full end to end testing of signals.”

The Proposer was unaware of any implications for other Transporters of implementing the Proposal.

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

No development, capital or operating costs are expected to be incurred by Transporters or Users as a consequence of implementing this Proposal.

SGN expressed agreement with this statement.

**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, requires it to recover any additional costs.”

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

The Propser 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 will not affect the administrative and operational costs of Users, nor their level of contractual risk.”

SGN believed that implementation should “*help to mitigate the risk of excessive gas prices this winter.*”

**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 implementation would “impact the Px sub-terminal operator but none of the above groups in generality.”

**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**

**Advantages**

- Implementation of this Proposal would contractually recognise the potential for higher flow rates through the Px sub-terminal at Teesside, which National Grid NTS believes would both enhance security of supply and mitigate the risk of excessive gas prices this winter.

**Disadvantages**

- none identified

**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.

British Gas Trading Limited	BGT	Qualified Support
National Grid NTS	NGNTS	Support
National Grid Gs plc (UK Distribution	NGUKD	Support
Scotia Gas Networks plc	SGN	Support
Scottish and Southern Energy plc	SSE	Support

Thus, all five respondents supported implementation, although one respondent qualified that support.

Specific comments were made on the following aspects:

**Correction of NEA Error**

BGT referred to line 3 of the data within a table in the Proposal (Energy Flow Rate) and that this parameter would be revised upward “*by a significantly greater increment than the other measurement revisions set out therein*” BGT stated its understanding that “*the revised figure is correct, and that the current figure is understated by a significant*

*margin.*” BGT concluded that “*had this point been set out clearly in the original proposal and in the draft modification report*” it would have added weight to the case for implementation.

#### **Metering Uncertainty Calculation**

BGT stated that its only reservation was the lack of assurance that “*the metering assets are capable of operating accurately within the revised meter ranges set out in the draft NEA, and are rated to do so.*” BGT therefore stated that it would “*welcome sight of the uncertainty calculations that accompany this revision.*”

*SME comment: Whilst the Proposer may be at liberty to meet BGT's request for sight of uncertainty calculations, the SME is unaware of any requirement to provide this level of detail to accompany a UNC Proposal of this nature.*

#### **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 enable each Transporter to facilitate compliance with safety or other legislation.

#### **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**

No programme of works would be required as a consequence of implementing the Modification Proposal.

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

11 Oct 2006	Submit Final Modification Report to Modification Panel
19 Oct 2006	Modification Panel recommendation
01 Nov 2006	Ofgem decision
November 2006	Amend Px's NEA.

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

No implications of implementing this Modification Proposal upon existing Code Standards of Service 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 19 October 2006, of the 10 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**

Implementation would be effected by a modification to the text of Px's NEA, therefore legal UNC text is not required.

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 :