

Modification proposal:	Uniform Network Code (UNC) 110: Amendment of Px's Network Entry Agreement (UNC110)		
Decision:	The Authority¹ directs that this proposal be made²		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	9 November 2006	Implementation Date:	To be confirmed by the Joint Office

Background to the modification proposal

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

Excelerate Energy is in the process of installing a Liquefied Natural Gas (LNG) gasification shipping operation to deliver additional volumes of gas into the Px sub-terminal which is planned to commence in the middle of winter 2006/7. 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 a 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.

The modification proposal

Section I2.2 of the Uniform Network Code (UNC) Transportation Principal document provides that the prevailing NEP's at a System Entry Point (SEP) may only be amended by two means, either:

- with written consent of all users who hold National Transmission System (NTS) entry capacity at the ASEP in which the relevant SEP is comprised, or
- by way of a UNC Modification.

The proposer chose to raise a UNC Modification Proposal.

Px's NEPs are contained in its Network Entry Agreement (NEA). UNC110 seeks to revise some of the NEPs as outlined in Schedule 4 of Px's NEA, to the values indicated below.

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

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

²This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

The proposer believes that if the proposal is not implemented then certain metering parameters in Px's NEA will become incorrect which could hinder the delivery of additional gas supplies to the UK to the detriment of security of supply. As such the proposer considers that the modification proposal will further the relevant objectives³.

UNC Panel⁴ recommendation

At its meeting on the 19 October 2006, the UNC Modification Panel voted unanimously in favour of the proposal being implemented.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 19 October 2006. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposal which are attached to the FMR⁵. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC⁶, and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁷.

Reasons for the Authority's decision

We are of the view that the proposal impacts on the facilitation of relevant objectives (a), (d)(i), (e) and (f) most significantly. For the avoidance of doubt, we have considered the merits of the proposal against all UNC objectives, however for the purpose of our decision we consider objectives (a), (d)(i), (e) and (f) to be the relevant ones to explain in this letter.

Relevant Objective (a) - the efficient and economic operation of the pipe-line system to which this licence relates

The proposer and two respondents felt that relevant objective (a) would be better facilitated by the proposal as the provision of enhanced supply capability will help in mitigating the risk of excessive gas prices this winter.

Ofgem agrees that the proposal better facilitates relevant objective (a) as the costs of the investment to install a LNG gasification shipping operation should be outweighed by the benefits of having additional volumes of gas delivered into the Px sub-terminal, which should result in a reduced risk of excessive gas prices in winter 2006/7.

Relevant Objective (d)(i) - the securing of effective competition between relevant shippers so far is consistent with relevant objectives (a) to (c)

³ (a) and (d)(i) as specified in Standard Special Condition A11, which can be viewed at: http://62.173.69.60/document_fetch.php?documentid=6547

⁴ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules

⁵ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com

⁶ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: http://62.173.69.60/document_fetch.php?documentid=6547

⁷ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

The proposer and two respondents felt that relevant objective (d)(i) would be better facilitated by the proposal as Px's supply capability at Teesside is expected to increase.

Ofgem agrees that the proposal better facilitates relevant objective (d)(i) as the increased supply capability at Teesside arising from the proposal would increase the amount of supply capacity available to shippers and therefore should increase the competition between shippers in securing this additional supply capacity at Teesside.

Relevant Objective (e) – 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

One respondent felt that relevant objective (e) would be better facilitated by UNC110.

Ofgem agrees that UNC110 better facilitates relevant objective (e) as the additional supply capacity available should facilitate greater volumes of gas to be delivered into the Px sub-terminal and should help to increase the availability of gas supply. This should therefore contribute to securing the domestic customer supply security standards.

Relevant Objective (f) - the promotion of efficiency in the implementation and administration of the network code and/or the UNC, so far is consistent with Relevant Objectives (a) to (e)

One respondent felt that relevant objective (f) would be better facilitated by the proposal as correcting the existing error within Px's NEA promotes efficiency in the administration on the UNC, since the NEA will now be accurate.

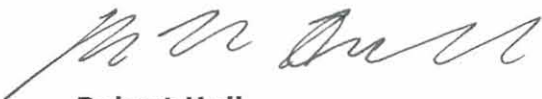
Ofgem agrees that the proposal better facilitates relevant objective (f) since accurate figures in the NEA should result in greater efficiency in the administration of the UNC as shippers are presented with more accurate information on which to base their decisions.

Wider statutory duties

The potential results of the proposal of reduced risk of excessive gas prices and more effective competition between relevant shippers should help to facilitate the principal objective of the authority in protecting the interests of consumers.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC110: Amendment of Px's Network Entry Agreement be made.



**Robert Hull
Director of Transmission**

Signed on behalf of the Authority and authorised for that purpose.