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The Joint Office, relevant Gas  
Transporters, Shippers and other  
interested parties

Our Ref: Net/Cod/Mod/UNC181  
Email: industrycodes@ofgem.gov.uk

Date: 05 November 2007

Dear Colleague,

**UNC Modification 181: Scheduling Charges calculation for Gas Flow Days 22, 23, 24, 25 & 26 October 2007**

Following consideration of the request from National Grid National Transmission System ("NG NTS") that its modification proposal '*Scheduling Charges calculation for Gas Flow Days 22, 23, 24, 25 & 26 October*' follows urgent modification procedures, Ofgem has today agreed to that request.

In reaching our decision on granting urgent status we have considered the details contained within the modification proposal and NG NTS' justification for urgency, which are appended to this letter and so not repeated here. We consider that this proposal satisfies the criteria for granting urgent status to a modification proposal, as set out in our published guidelines<sup>1</sup>. In particular, we consider that:

- there is a real likelihood of significant commercial impact upon shippers and ultimately customers if the proposed modification is not urgent; and that,
- the proposal is linked to an imminent date related event, insofar as the calculation of Scheduling Charges will commence 22 November 2007.

**Urgency Timetable**

Ofgem agrees that the proposal should follow the timetable proposed by NG NTS, as set out below.

Process	Date
Proposal issued for consultation	06/11/2007
Close out of representations (3 working days)	09/11/2007
Urgent modification report issued	12/11/2007
Modification Panel decide upon recommendation	15/11/2007
Ofgem decision expected	20/11/2007
Proposed implementation date	20/11/2007

<sup>1</sup> <http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/2935-Urgency%20Criteria.pdf>

We note that suggested legal text has been provided as part of the modification proposal on which comments are sought. In view of the timetable above, it will be helpful if the Final Modification Report submitted to Ofgem contains the finalised legal text. For the avoidance of doubt, in accepting this request for urgency, Ofgem has made no assessment of the merits of the modification proposal and nothing in this letter in any way fetters the discretion of the Authority in respect of this modification proposal.

If you have any queries in relation to the issues raised in this letter, please feel free to email [industrycodes@ofgem.gov.uk](mailto:industrycodes@ofgem.gov.uk).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jon Dixon', with a stylized flourish at the end.

**Jon Dixon**  
**Head of Industry Codes (Markets)**

**CODE MODIFICATION PROPOSAL No 0181**  
**Scheduling Charges calculation for Gas Flow Days 22, 23, 24, 25 & 26 October 2007**  
**Version 1.0**

**Date:** 05/11/07

**Proposed Implementation Date:** 20/11/07

**Urgency:** Urgent

**1 The Modification Proposal**

**a) Nature and Purpose of this Proposal**

*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 (UNC) (unless they are otherwise defined in this Modification Proposal). 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.*

GEMINI is an information exchange computer system allowing the electronic transfer of information including energy and capacity transactions between UNC parties. This system is generally referred to in the UNC as UK Link\*, of which GEMINI is one part. Following the return to service of the GEMINI system after a planned UK Link downtime on Sunday 21<sup>st</sup> October 2007, Users\* reported the existence of functional errors within GEMINI. These errors resulted in National Grid NTS\* suspending User access to the GEMINI system during the course of the afternoon of Gas Flow Day\* 22<sup>nd</sup> October 2007. On the same Day\* Code Contingency\* arrangements were established and notified to Users by National Grid NTS. These arrangements allowed Users to provide National Grid NTS with their gas flow Nominations\* for National Grid NTS to manually upload onto the GEMINI system until full User access to the system was restored. In so far as possible under such Code Contingency arrangements, this enabled Users to continue to provide information to, and receive information from, National Grid NTS and the GEMINI system.

The Code Contingency arrangements were in place during Gas Flow Days 22<sup>nd</sup>, 23<sup>rd</sup>, 24<sup>th</sup>, 25<sup>th</sup> and 26<sup>th</sup> October 2007 (subsequently in this proposal these will be referred to as “the affected Gas Flow Days”). National Grid NTS is concerned that during this period, Users’ ability to provide timely Nominations was unavoidably and adversely affected which in turn could have a detrimental impact on the appropriateness of the Scheduling Charges\* calculation within the October 2007 Balancing Invoice\*, due to be issued in December 2007. National Grid NTS considers that if such Scheduling Charges were to be levied without adjustment, it could lead to inappropriate charge allocation.

It is therefore proposed to amend the basis upon which Scheduling Charges are levied for the affected Gas Flow Days. Instead of calculating the Scheduling Charges for the affected Gas Flow Days using the Nominations

currently held in the GEMINI system for that period, we propose to calculate, separately for each User, in relation to each of the User's scheduling related System Points\*, the average daily Scheduling Charge for the weekdays (Monday to Friday) for the period 1<sup>st</sup> to 21<sup>st</sup> October 2007 inclusive (subsequently referred to as the "averaging period"); and apply this average daily value to the affected Gas Flow Days for that same User and scheduling related System Points.

We believe that using the Scheduling Charges derived from this averaging period reflects both the most current User portfolio position, given that a number of supply contracts will have been amended from 1 October, and also the User's most recent scheduling performance for the type of Day affected by the GEMINI issues, i.e. weekdays rather than weekends, whilst at the same time maximising the data set on which to base the averaging calculation without including those Days affected by the Code Contingency arrangements.

Having completed a high-level historical analysis of Users' scheduling performance over the last 4 years, we believe that basing the average on the same type of days as the affected Gas Flows Days (i.e. weekdays), would provide a more reflective average.

In developing this Modification Proposal, National Grid NTS considered and rejected a number of alternative options, summarised below:

***Disapply the Scheduling Charges for the affected Gas Flow Days***

We do not believe that setting the Scheduling Charges to zero for this period would better facilitate the relevant objective of securing effective competition between relevant shippers, as it would mean that those shippers who would have normally received revenue from the redistribution of the Scheduling Charges through the neutrality process would not do so.

***Alternative Scheduling Charges calculations for affected Gas Flow Days***

Prior to selecting the proposed basis for calculating the Scheduling Charges to be applied to the affected Gas Flow Days, we considered a number of alternatives, including a 365 day average, and a 28 or 30 day average. These options were not considered to be most representative of recent shipper performance as they cover a longer time period and would therefore potentially include many contract and portfolios changes.

**b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)**

We believe this Modification Proposal should be granted urgent status in accordance with the Authority's urgency criteria for the reasons given below:

**"1. There is a real likelihood of significant commercial impact upon GTs, Shippers or Customers if a proposed modification is not urgent."**

We consider that, without the adjustment proposed, the Scheduling Charges calculated for the affected Gas Flow Days may not be reflective of Users'

intended Nominations of their gas flows due to the difficulties experienced by Users in providing timely Nominations for the affected Gas Flow Days. For some Users these charges could have a detrimental commercial impact.

**“3. The proposal is linked to an imminent date related event.”**

As the calculation of Scheduling Charges will be undertaken from 22<sup>nd</sup> November 2007 (“M+16”), in order to ensure that the Scheduling Charges for the affected Gas Flow Days are calculated and a subsequent adjustment made on the basis proposed above, a decision is required in advance of this date.

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

Send to Ofgem requesting Urgency	05/11/07
Ofgem grant Urgent status	06/11/07
Proposal issued for consultation	06/11/07
Closeout for representations (3 working days)	09/11/07
FMR issued by Joint Office	12/11/07
Modification Panel recommendation sought	15/11/07
Ofgem decision expected	20/11/07
Proposed implementation date	20/11/07

- c) **Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.**

We recommend that this Modification Proposal should proceed directly to the consultation phase, as outlined in the proposed timetable above.

**2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter’s Licence) of the Relevant Objectives**

National Grid NTS considers this Modification Proposal would better facilitate the achievement of the following relevant objectives:

**SSC A11 1(d) the securing of effective competition: (i) between relevant shippers;**

By amending the basis for levying Scheduling Charges for the affected Gas Flow Days, relevant Users will be able to more accurately assess their financial impact over the period in question, thereby providing a stable and equitable basis for competition.

Amending the basis for levying Scheduling Charges for the affected Gas Flow Days will also remove the risk of applying potentially erroneous charges and replace them with charges which are likely to be more reflective of Users’ most recent scheduling performance thereby improving the accuracy and cost reflectivity of these charges, which in turn facilitates competition between shippers.

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

We do not anticipate any impact on security of supply, operation of the Total System or industry fragmentation.

**4 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:**

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

No implications anticipated.

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

A small increase in the operating costs would be associated with the need to calculate the average daily Scheduling Charge. This would be offset by an anticipated reduction in time and effort responding to invoice queries

**c) Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:**

Cost recovery is not proposed.

**d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

We do not anticipate any impact on the level of contractual risk of each Transporter.

**5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)**

Not applicable.

**6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users**

We do not foresee any implications on these systems. If this Proposal were to be implemented, the October 2007 Balancing Invoice would show the amended Scheduling Charges and would be accompanied by explanatory notes as to the amended charges.

**7 The implications for Users of implementing the Modification Proposal, including:**

**a) The administrative and operational implications (including impact upon manual processes and procedures)**

We are not aware of any adverse implications in this area.

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

We do not foresee any additional costs in this area.

**c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

We are not aware of any adverse implications in this area.

**8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)**

No implications anticipated.

**9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters**

No consequences anticipated.

**10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above**

**Advantages**

- Removes potential for erroneous charges.
- Reduces industry time and effort raising and responding to invoice queries.
- Provides charges which are more reflective of recent User scheduling performance and which are not affected by the Code Contingency arrangements that were in place on the affected Gas Flow Days.

**Disadvantages**

- If this Modification Proposal is implemented, the Scheduling Charges levied in the October 2007 Balancing Invoice will not reflect the Nominations submitted by Users on the affected Gas Flow Days. As a result neutrality credits and debits associated with the resulting Scheduling Charges will not be collected.

**11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)**

Not applicable.

**12 Detail of all other representations received and considered by the Proposer**

Not applicable.

**13 Any other matter the Proposer considers needs to be addressed**

Not applicable.

**14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal**

We recommend that this Modification Proposal be implemented on no later than 20<sup>th</sup> November 2007, prior to the calculation of the Invoice Amounts on 22<sup>nd</sup> November 2007.

**15 Comments on Suggested Text**

**16 Suggested Text**

Transition Document Part IIC

Add new paragraph 1.8 to read as follows:

“1.8 TPD Section F paragraph 3

1.8.1 For the purposes of Section F paragraph 3, the Scheduling Charges payable in respect of the Gas Flow Days 22<sup>nd</sup>, 23<sup>rd</sup>, 24<sup>th</sup>, 25<sup>th</sup>, and 26<sup>th</sup>, October 2007 (the “Contingency Period”) will be calculated by National Grid NTS in respect of each User as follows:

(i) National Grid NTS will add the input Scheduling Charges (calculated in accordance with Section F , paragraph 3.2) incurred by such User on each Gas Flow Day which is a Business Day in the period from 1st October to the 21st October 2007 (inclusive) to produce a total amount and divide such total amount by 15 to produce an average input Scheduling Charge (“average input Scheduling Charge”);

(ii) National Grid NTS will add the output Scheduling Charges (calculated in accordance with Section F , paragraph 3.3) incurred by such User on each Gas Flow Day which is a Business Day in the period from 1st October to the 21st October 2007 (inclusive) to produce a total amount and divide such total amount by 15 to produce an average output Scheduling Charge (“average output Scheduling Charge”);

(iii) The input Scheduling Charge payable by such User for each Gas Flow Day in the Contingency Period shall be regarded as equal to the average input Scheduling Charge;”



(iv) The output Scheduling Charge payable by such User for each Gas Flow Day in the Contingency Period shall be regarded as equal to the average output Scheduling Charge.”

**Code Concerned, sections and paragraphs**

Uniform Network Code

Transition Document

**Section(s)** Section S.

**Proposer's Representative**

*Ritchard Hewitt (National Grid NTS)*

**Proposer**

*National Grid NTS*