CODE MODIFICATION PROPOSAL No 0206 'Summer and Winter Assured Pressure Periods' Version 1.0

Date: 12/03/2008

Proposed Implementation Date: 01/06/2008 *see contingency details

Urgency: Non 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 (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.*

In accordance with UNC Section J paragraph 2.5, National Grid NTS* agrees an annual Assured Offtake Pressure* at each DNO* Offtake* commencing 1 October and ending 30 September the following year. This Assured Offtake Pressure is the minimum pressure that National Grid NTS must provide at an Offtake under all operating conditions other than during a period of Force Majeure*. In reality, the NTS* physically operates to a lower pressure during the summer Planned Maintenance Period* (maintaining the Assured Offtake Pressure as the minimum) and a higher pressure in the winter when all compression plant is available and demand is higher. The commercial requirement to provide an assured pressure at an Offtake for a whole year, through both the Planned Maintenance Period and winter periods, can limit the efficient and economic planning and operation of both transmission and distribution systems.

Where the annual Assured Offtake Pressure is set at the minimum pressure that is required in the winter, compressors may be required to operate during the Planned Maintenance Period to maintain the Assured Offtake Pressure, when a lower pressure may otherwise be acceptable to the downstream party. Maintaining pressures in the Planned Maintenance Period that may not be required could result in inefficient operation of the system. Conversely where the Assured Offtake Pressure is set at the minimum pressure that can be achieved during the Planned Maintenance Period, DNOs plan their system investment to this pressure even though there is a possibility that a higher winter pressure may be possible. This could result in inefficient downstream investment, as projects may be brought forward which could otherwise be deferred if higher winter pressures were assured.

This Modification Proposal proposes that two Assured Offtake Pressures be

provided each year in order to provide better information to support system operation and investment planning and to contribute to the more efficient and economic planning and operation of the transmission and distribution systems.

National Grid NTS considers that the potential to assure lower pressures during the summer and higher pressures in winter is dependant upon the availability of compression plant and therefore to the Planned Maintenance Period. We therefore propose that:

- A "winter" pressure be assured outside of the Planned Maintenance Period i.e. 1st November to 31st March inclusive, and
- A "summer" pressure be assured during the Planned Maintenance Period i.e. 1st April to 31st October inclusive.

It is envisaged that this Modification Proposal, if implemented, would result in the more economic and efficient operation and planning of the total system.

It may be the case that some DNO Offtakes are able to accept a pressure level during the Planned Maintenance Period that is lower than the current annual assured pressure. This could result in less compression being used and less of the available compressors being held on standby; more efficient compression would result in more efficient operation of the system. National Grid NTS recognises that lowering pressure at a DNO Offtake has the potential to impact on other adjacent loads directly connected to the NTS, however all NExA* arrangements and associated parameters and timelines in relation to pressure at these adjacent offtakes would continue to be adhered to.

In some cases a higher winter pressure could be assured, as it would no longer be restricted by the summer operating regime. Providing a higher assured winter pressure would facilitate DNOs planning to this pressure, rather than the current annual assured pressure, potentially allowing the deferral of capex spend and therefore leading to more efficient development of the total system.

It is proposed that these pressures be agreed through the existing annual OCS process which commences 1st June each year. There would be minimal change to the OCS process with the current requirement on DNOs to request Assured Offtake Pressures at 0600 and 2200 being replaced with the requirement on DNOs to request Assured Offtake Pressures at 0600 and 2200 for the winter period (1st November to 31st March inclusive) and the summer period (1st April to 31st October inclusive). During the first complete OCS process to which this Modification Proposal applies, if implemented, Users will be able to request changes to their requirements either upwards or downwards from their current Assured Offtake Pressure.

Contingency Details - In the event that the implementation date of this Proposal is later than 1st June 2008 then it is proposed that, in order to avoid the changes being implemented mid-way though the OCS process, implementation is deferred for one year so that it comes in to effect 1st April 2009 for that year's OCS process.

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

Urgent Procedures are not requested, however National Grid NTS requests that this Proposal be progressed through UNC governance and if possible be implemented in time for it to apply to the 2008 OCS process. Progressing the proposal in time for it to be included in this year's OCS process would provide the opportunity to achieve the associated benefits of running the total system in a more economic and efficient manner at the earliest opportunity.

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.

Following discussion at the Transmission Workstream and the Offtake Arrangements Workstream, National Grid NTS recommends that this proposal proceed directly to consultation. National Grid NTS also requests that the standard consultation period be reduced to 12 days in order to achieve a 1st June 2008 implementation date, if the proposal is implemented.

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 proposal would, if implemented, better facilitate the following Relevant Objectives* as set out in its Gas Transporter's Licence*:

- In respect of Standard Special Condition A11, paragraph 1(a) (the efficient and economic operation of the pipe-line system), National Grid NTS considers that the potential to reduce Assured Offtake Pressures during the Planned Maintenance Period at some DNO offtakes would result in more efficient use of compression and therefore more efficient operation of the NTS. Also, the potential to agree higher pressures outside the Planned Maintenance Period at some DNO offtakes would facilitate the associated DNO planning to the higher pressure, thereby potentially deferring their capex spend. The provision of more information through the OCS process will result in more

economic and efficient planning and operation of the total system.

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

National Grid NTS considers that implementation of this proposal would not adversely impact upon the current parameters of the operation of the system. By enabling DNOs to signal their pressure requirements in a way which is more reflective of their changing gas demand and operational requirements it will enable both parties to optimise their systems whilst still meeting the requirements of all their customers. The contractual terms agreed with other Users* connected to the NTS, who could otherwise be adversely affected by these proposed changes, would continue to be upheld and therefore no adverse impact is envisaged on other classes of User, although National Grid NTS would welcome comments in that respect.

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

a) The implications for operation of the System:

National Grid NTS considers that this proposal, if implemented, would enable the System to be operated in a more economic and efficient manner as the changes in the commercial regime would more accurately reflect physical operation and could potentially avoid the situation whereby the commercial regime restricts efficient physical operation or System investment.

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

National Grid NTS believes that the costs associated with the development of this proposal would be minimal; however if the DNOs choose to use the facility introduced by this Proposal to change both their “summer” and “winter” assured pressures then we would expect this to result in a reduction in either or both capex and opex spend, or more efficient capex / opex spend, by all associated Transporters as a result of its implementation over that which would be incurred if this proposal was not implemented.

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:

Not applicable.

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

Not applicable.

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

Not applicable.

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

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

National Grid NTS considers that if the DNOs choose to use the facility introduced by this Proposal to change both their "summer" and "winter" assured pressures then there would be some impact, upon the planning processes of the DNOs and National Grid NTS. However this proposal, if implemented, would enable the System to be operated in a more economic and efficient manner.

b) The development and capital cost and operating cost implications

National Grid NTS believes that there would be some impact, upon the planning processes of the DNOs and National Grid NTS. These changes would be expected to have a positive effect on either or both CAPEX and OPEX of Transporters. The extent of such effects will be dependant on the extent of the changes agreed to the assured pressures during the Planned Maintenance Period and the winter period.

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

National Grid NTS does not anticipate there will be any contractual risk for Users as this proposal, if implemented, would result in the commercial regime more accurately reflecting the physical regime. As stated previously, the currently agreed terms of the Users' offtake agreements are not affected

by this proposal.

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)

National Grid NTS would continue to uphold existing agreements with other classes of User directly connected to the NTS and therefore feels there is little impact upon these Users, but welcomes comments on this area.

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

National Grid NTS believes that this proposal, if implemented, would not impact upon the legislative and regulatory obligations and contractual relationships of the Transporters.

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

Advantages

National Grid NTS believes that if DNOs choose to use the facility introduced by this Proposal to change both their "summer" and "winter" assured pressures then this proposal, if implemented, would lead to the more economic and efficient planning and operation of the total system.

Disadvantages

None identified.

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

None identified.

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

Sent to Modification Panel meeting	20/03/08
Proposal issued for consultation (subject to Panel approval)	20/03/08
Closeout for representations (12 days)	09/04/08
FMR issued by Joint Office	10/04/08
Modification Panel decide upon recommendation	17/04/08
Ofgem decision expected	16/05/08
Proposed implementation date	01/06/08

15 Comments on Suggested Text

To be advised.

16 Suggested Text

To be advised.

Code Concerned, sections and paragraphs

Uniform Network Code

UNC Transition Document

Section(s) Section J and Section L

Proposer's Representative

Name (*Organisation*) Fergus Healy

Proposer

Name (Organisation) National Grid NTS