

Modification Report
Change to Telemetry Requirements in OAD for SOMSA Exit
Modification Reference Number 0207
Version 3.0

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

Background

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.*

There are currently 117 shared sites where both National Grid NTS* and Distribution Networks* (DNs) assets are present and where National Grid NTS depends upon DN telemetry facilities for site control and information provision.

In the future, DN Operators* (DNOs) may decide to exit the System Operator Managed Services Agreement* (SOMSA) and take control of their own networks using their own Supervisory Control And Data Acquisition (SCADA) systems.

Section E of the UNC Offtake Arrangements Document* (OAD) contains enduring arrangements for telemetry facilities which will come into effect as each DNO leaves the SOMSA arrangements. At present, the enduring arrangements assume that National Grid NTS-owned telemetry will be installed and commissioned on all shared sites and that National Grid NTS will no longer need to use the DNO-owned equipment. While this is the long-term aim, it is generally more economic and efficient to change existing assets at the end of their life cycle.

Proposal

It is proposed that Section E of the UNC OAD is modified to allow National Grid NTS to continue to use DN telemetry facilities for site control and information provision following a DNO exiting the SOMSA arrangements until this equipment comes to the end of its service life. This would enable an economic replacement programme whilst facilitating DNO exit from SOMSA by formalising the continued exchange of telemetry and control signals between existing National Grid NTS and DNO equipment.

Suggested Text

UNIFORM NETWORK CODE – OFFTAKE ARRANGEMENTS DOCUMENT

SECTION E

TELEMETRY, ETC

Amend paragraph 1.2.1(a) to read as follows:

“1.2.1 In this Section E:

- (a) **“NTS Telemetry Facilities”** means
- (i) in relation to an Offtake, telecommunications and other equipment to be installed at the Offtake for the purposes of receiving (as telemetry signals) measured data from Measurement Equipment and sending such data to National Grid NTS and for the purpose of National Grid NTS sending and receiving signals to and/or from equipment forming part of the National Grid NTS Connection Facilities (“NTS Physical Telemetry Facilities”); and/or
 - (ii) an electronic link, such as a SCADA (Supervisory Control and Data Acquisition) link, between the DNO's gas control system and National Grid NTS's gas control system for the purposes of sending measured data from the Measurement Equipment to National Grid NTS (via the DNO's gas control system) and for the purposes of National Grid NTS sending and receiving (via the DNO's gas control system) signals to and/or from equipment forming part of the National Grid NTS Connection Facilities (“NTS Electronic Telemetry Facilities”).”

Add a new paragraph 2.3.5 to read as follows:

“2.3.5 Where the NTS Telemetry Facilities in respect of an Offtake are NTS Electronic Telemetry Facilities, and the equipment (other than Telemetry Connection Facilities) provided by the DNO and utilised by such NTS Electronic Telemetry Facilities for the sending and receiving of signals to and from the Measurement Equipment and/or the National Grid NTS Connection Facilities (“Equipment”) reaches the end of its service life, then National Grid shall install NTS Physical Telemetry Facilities at the Offtake and connect such facilities (via the Telemetry Connection Facilities) to the Measurement Equipment. For the avoidance of doubt, the provisions of paragraph 2.3 shall apply to such NTS Physical Telemetry Facilities.

The equipment referred to above (the “Equipment”) will be deemed to have reached the end of its service life on the earliest of the following:

- (a) the date on which a Reasonable and Prudent Operator would choose to routinely replace the Equipment having regard to its

- age and condition; or
- (b) the date on which the Equipment fails and is beyond economic repair; or
- (c) on such date as otherwise agreed between National Grid NTS and the DNO.”

2 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

Implementation may assist the achievement of this objective by enabling National Grid NTS to progress with a phased programme for telemetry and control systems replacement, allowing for a gradual change out of assets as they reach the end of their operational life. This would allow the full value of the existing assets to be realised before additional investment is undertaken.

Standard Special Condition A11.1 (b): so far as is consistent with subparagraph (a), the coordinated, efficient and economic operation of

- (i) *the combined pipe-line system, and/ or*
- (ii) *the pipe-line system of one or more other relevant gas transporters;*

Implementation would not be expected to better facilitate this relevant objective

Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Implementation would not be expected to better facilitate this relevant objective

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:

- (i) *between relevant shippers;*
- (ii) *between relevant suppliers; and/or*
- (iii) *between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;*

Implementation would not be expected to better facilitate this relevant objective

Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (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;

Implementation would not be expected to better facilitate this relevant objective

Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

Implementation would not be expected to better facilitate this relevant objective

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

No such implications on security of supply or operation of the Total System have been identified.

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

a) Implications for operation of the System:

Implementation of this proposal would allow National Grid NTS to continue to use DNO telemetry systems for both information provision and control of valves and plant that is essential for the safe operation of the NTS*.

b) Development and capital cost and operating cost implications:

There would be no additional costs for the implementation of this proposal as it seeks to continue with the current position post a DN exit from the SOMSA arrangements. In the event that the proposal is not implemented, National Grid NTS would have to install new telemetry at all 117 affected DNO sites within uneconomic timescales.

c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

No cost recovery mechanism is required.

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

No such consequences have been identified.

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

No such requirement has been identified.

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

There is no development or other implications identified for Transporter or User systems.

7 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Administrative and operational implications (including impact upon manual processes and procedures)

No such implications have been identified.

Development and capital cost and operating cost implications

No such costs have been identified.

Consequence for the level of contractual risk of Users

No such consequences have been identified.

8 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

No such implications have been identified for any other relevant persons.

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

- This Proposal will allow an economic and efficient replacement programme to be progressed whilst facilitating DNO exit from the SOMSA arrangements by formalising the continued exchange of telemetry and control signals between existing National Grid NTS and DNO equipment.

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:

Organisation

British Gas Trading Limited	(BGT)	Supports
National Grid Distribution	(NGD)	Supports
National Grid NTS	(NGNTS)	Supports
RWE Npower	(RWE)	Supports
Scotia Gas Networks plc	(SGN)	Qualified Support
Wales & West Utilities	(WWU)	Qualified Support

Of the six responses received, four supported implementation and two offered qualified support.

SGN and WWU believed the suggested legal text was restrictive and it was for this reason that they offered qualified support.

Whilst they agreed that it would be more economical and efficient for NTS to continue to have access to information provided from existing DNO telemetry equipment, until such time as it was replaced, they suggested that more clarity on obligations and timescales was required.

SGN believed that information provision should continue as currently received by NTS with no obligation to provide any new information or functionality. It referred to various circumstances by which future replacement of DNO equipment would take place in addition to those set out in the suggested text. It therefore believed that the duration of Transitional Arrangements should be subject to the DNO's discretion and felt that the obligation to agree a date with National Grid NTS as proposed in 2.3.5 (c) was entirely inappropriate and had not been indicated in the Proposal.

NGD agreed with SGN's view that that the legal text should be constructed so as to prevent agreement being unreasonably withheld.

NGNTS did not believe this Proposal precluded the ability of a DNO to replace equipment prior to the end of its service life and confirmed it was not its intention to restrict the operational or commercial discretion of any DNO in this respect.

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 in order to facilitate compliance with any notice issued under Standard Condition A11 (14).

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 has been identified.

15 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

The Proposer recommended that this Modification Proposal be implemented by 01 July 2008 (following the necessary Ofgem direction).

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 15 May 2008, of the 8 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 and Electricity Markets Authority in accordance with this report.

19 Text

The following text has been provided at the request of Ofgem:

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TELEMETRY, ETC

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- to routinely replace the Equipment having regard to its age and condition; or
- (b) the date on which the Equipment fails and is beyond economic repair; or
- (c) on such date as otherwise agreed between National Grid NTS and the DNO, such agreement not being unreasonably withheld.”

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters