

CODE MODIFICATION PROPOSAL No 0244B
Amending DM Supply Point Data for Sites with Significant Changes in Usage
Version 1.0

Date: 08/04/2009

Proposed Implementation Date: October 2009

Urgency: Non Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

Corona Energy has raised UNC Modification Proposal 0244. This proposes an enduring revised Daily Metered (DM) capacity regime which permits amendment to various daily capacity offtake related data under specific circumstances. It is understood that under the current economic climate a significant number of consumers are reducing their levels of production. We are advised that this is affecting both their levels of gas usage and the numbers of part 'mothballed' or 'part' vacant industrial and commercial properties.

Modification Proposal 0244 identifies a modified regime which includes various features, some of which in National Grid Gas Distribution's (NGD) opinion may not represent the most efficient way of addressing Users' requirements.

Corona identifies that its Proposal is designed to meet the requirements of consumers in addressing the consequences of the economic downturn. In particular, Modification Proposal 0244 seeks to address the issue whereby a Supply Point has a Bottom Stop Supply Point Capacity (BSSOQ) set at a level consistent with requirements before the impact of the current economic conditions took effect and preventing the User from registering a Supply Point Capacity (SOQ) at a level consistent with the Supply Point Component's requirements as a result of the economic downturn. Moreover, it is possible that some Supply Point Components will have a BSSOQ set from October 2009 based upon their peak requirements consistent with pre-economic downturn requirements preventing the registered SOQ, to take effect from October 2009, being set to actual required level over the subsequent gas year. Under these circumstances such Supply Point Components may be limited in reducing the SOQ to a desired level until October 2010. NGD acknowledges that the DM capacity regime restricts significant changes in offtake behaviour being reflected in the bookings of future capacity requirements.

NGD is therefore sympathetic to Corona's concerns and is aware that the DM capacity regime is by design slow to react to changes in offtake behaviour. The terms of the UNC in this respect are consistent with cost reflectivity and ensure that long term physical requirements at the Supply Meter Point are managed appropriately. We note that recent changes to the charging regime in terms of the 95/5 apportionment of capacity/commodity

charges and capacity charging at Interruptible Supply Points have raised concerns from Users associated with their potential exposure in the current economic climate. However we are of the view that such remedies should be time limited given the uncertainties around the longevity of the economic position. Transitional terms would be beneficial in that relatively 'simple' measures may be implemented requiring limited contractual change to meet consumers' immediate requirements. This is in the knowledge that a longer term sustainable regime may (if necessary) be developed taking account of all industry changes such as those to the Interruption and Capacity charging regimes and experiences gained during the transitional period.

NGD has therefore identified a significantly simpler regime to that proposed by Modification Proposal 0244 which we believe addresses the above concerns. The revised terms would be transitional and expire on 30th September 2011. NGD recommends that the level of participation in the new regime and its effectiveness be reviewed within the UNC Distribution Workstream after a predetermined period from implementation following which further proposal/s could be raised to extend the relevant transitional terms should this be necessary as a consequence of economic events and/or to identify further enhancements to the regime should these be desired.

Changes are therefore proposed to the Minimum capacity requirements as set out within UNC Principal Document Section G5.2 as follows:

- For any Supply Point Component subjected to the Daily Read Requirement, excepting an NTS Supply Point, permit the reduction of the SOQ within the Capacity Reduction Period to a value below the BSSOQ.
- Based on evidence such as consumption data, daily reads, etc, the Distribution Network Operator (DNO) reserves the right, in its sole discretion, to reject requests which it considers are not compliant with the UNC.

Note: the terms of UNC Section G5.4 'Absolute requirement' governing the Supply Point Offtake Rate remain applicable.

Changes to Supply Point Ratchets (TPD B4.7) are proposed as follows.

- Supply Point Ratchets and Supply Point Ratchet Charges are to be applicable to all Supply Point Components (Firm and Interruptible).

It will be noted that the above provisions apply only to relevant Daily Read Supply Meter Points where the relevant premises is occupied and gas is being offtaken. In the case of an unoccupied, empty or vacant premiss, the UNC provisions governing Isolation and Withdrawal should be utilised.

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

Non-urgent

- 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.**

As an alternative Modification Proposal, this should proceed on the same timescales as Modification Proposal 0244.

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

NGD believes that this Modification Proposal enables Users to reduce their capacity bookings at DM Supply Meter Points in line with their ongoing capacity requirements. This should improve the cost reflectivity of the regime during the current economic downturn. This can be expected to facilitate *DNO Licence 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.*

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

No such implications have been identified.

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

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

No such implications have been identified.

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

Systems implementation costs are expected to be incurred by DNOs as a consequence of implementing this Modification Proposal. Information on the extent of these has been sought by NGD from its service provider.

- 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:**

No additional cost recovery is 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**

The level of such contractual risk so incurred is expected to be low.

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)

Implementation is not required to facilitate such compliance.

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

Changes to the UK-Link system would be necessary to facilitate implementation of this Modification Proposal.

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

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

It is expected that changes to relevant processes and procedures for those Users having DM Supply Meter Points within their portfolio would be required. The extent of these is unknown to the proposer.

b) The development and capital cost and operating cost implications

The Proposer is not aware of such implications.

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

The level of a User's contractual risk may be impacted by implementation of this Modification Proposal. However, the extent of this is unknown.

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)

The effects of implementation of this Modification Proposal and the extent to which it would enable industrial and commercial end consumers to limit their exposure to relevant supplier charges is unclear. This would depend on the nature of the relevant supply contracts held. However, it is expected that the resultant lower capacity charges levied to Users would be passed on in terms of savings for end consumers at DM Supply Points.

It will be noted that as is the case with Modification Proposal 0244, in the event of implementation of this Modification Proposal, dependant of the extent of utilisation of the extended capacity reduction opportunities by Users, there could be a significant under recovery of transportation revenue by DNOs particularly for

2009/2010. This is because transportation charges for this period have already been set based upon continuation of the existing UNC regime. This would flow through 'K' factor and impact transportation charges for 2010.

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

The cost reflectivity of the DM capacity regime is improved.

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

Advantages

- Provides a simple, pragmatic method by which a User may amend the capacity requirements at a DM Supply Points to reflect anticipated consumption thereby improving cost reflectivity.

Disadvantages

- Requires UK-Link changes the extent of which has not been quantified. However the likely extent of systems development work required suggests that early implementation would not be possible.
- Likely to lead to an under recovery of transportation revenues in 2009/10 leading to increased charges in the subsequent period for all Users.

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

No such matters have been identified.

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

Implementation timescales for this Modification Proposal are contingent on the timing of relevant systems changes and processes. It is unlikely that implementation prior to October 2009 would be possible.

15 Comments on Suggested Text

Suggested text has not been provided.

16 Suggested Text

Not applicable.

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) Transition Document Part II

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Proposer

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