

Review Report
Review Proposal Reference Number 0316
Review of Section I of the Offtake Arrangements Document (OAD): NTS Operational
Flows
Version 1.0

This Review Group Report is presented for the UNC Modification Panel's consideration.

1 Review Proposal

Wales & West Utilities raised Review Proposal 0316 - Review of Section I of the Offtake Arrangements Document (OAD): NTS Operational Flows. The agreed Terms of Reference for the Review are attached below as Annex 1.

2 Review Process

In accordance with the Modification Rules, at its meeting on 15 July 2010, the Modification Panel determined that the Offtake Arrangements Workstream should consider this Proposal. This Review Report was compiled by the Joint Office and approved by Workstream attendees.

3 Areas Reviewed

The following items were identified in the Terms of Reference as being included within scope of the Review, and were discussed:

- Exit Zone versus LDZ measures
- Tolerances
- Low demand Days
- OPNs
- Pressure Commitments
- Impact of Exit Reform

In light of the discussions, a number of potential UNC changes were identified. These encompass:

- OPN tolerances and offtake categorisation
- Disapplication of 3% LDZ OPN tolerance
- OPN Revision requirements
- Flow Swaps
- 5% 2 hour rule rate changes
- Low Demand Days
- Offtake Pressure requirements

National Grid NTS raised Modification 0365 (National Grid NTS Initiated Flow Swaps) to clarify the UNC with respect to flow swaps. However, it was not clear that this modification is necessary and a set of scenarios was developed with a view to clarifying the application of the UNC under a range of circumstances involving flow swaps. These scenarios have not yet been agreed by the DNs and National Grid NTS. Once final, agreed, scenarios have been established, they will be published alongside this Report.

To address issues concerning OPNs, a draft modification was discussed and developed which recognises that specific NTS/LDZ offtakes need separate rules from the vast majority of offtakes when determining flow tolerance levels; and amends a small number

of operational timeframes and inconsistencies to better reflect existing working practices.

A draft of this modification is available at www.gasgovernance.co.uk/OA/250511.

Certain parts of the draft modification have proved easier to obtain a consensus on than others. Therefore it is expected that Wales & West Utilities will raise a modification to address those aspects of consensus with the other issues being subject to further discussion between the Transporters.

To address issues concerning offtake pressure requirements, a draft modification was discussed and developed which seeks to remove any adverse consequences falling upon the DNs as a result of complying with a National Grid NTS request for revised inlet pressure at an offtake from the National Transmission System to a DN. It is also proposed that, as part of the annual offtake capacity statement process, a list of offtakes should be agreed between National Grid NTS and each DN in respect of which the agreed pressure daily process will apply. A draft of this modification, which National Grid Distribution expect to raise, is available at www.gasgovernance.co.uk/OA/100811.

National Grid Distribution also presented a draft modification regarding low demand days. Under the existing arrangements, before the Gas Day if the demand for that Day is forecast to be less than 50% of the 1 in 20 peak day demand for each LDZ, National Grid NTS can declare a low demand day, requiring the affected DN to flow a flat profile. The draft modification seeks to change this threshold such from 50% to 25%. It was agreed that further consideration of this modification would await the outcome of the Capacity Outputs Incentive Working Group (part of RIIO-GD1). It is anticipated that this group is likely to propose a process whereby National Grid NTS and DNs are able to commit to flex requirements under certain demand conditions. This would be likely to negate the need for any low demand day provision.

4 Recommendation

The Offtake Arrangements Workgroup recommends that the Modification Panel:

- Accepts this Review Report
- Notes that modifications will be raised / further discussions between the Transporters held to take forward the identified issues.

Annex 1: Terms of Reference

Nature and Purpose of Proposal

In the months preceding the sale by National Grid of four Gas Networks in 2005, the Offtake Arrangements Document (OAD) was created to formalise, as part of the Uniform Network Code (UNC), a number of existing and new operating requirements between National Grid NTS and the Gas Distribution Networks.

One of the areas which sought to capture existing and newly anticipated requirements was 'NTS Operational Flows' (Section I of the OAD). This section carries a number of central themes;

- i) Requirements as to the submission of Offtake Profile Notices (OPNs) in relation to NTS/LDZ Offtakes
- ii) Pressure provisions relating to NTS/LDZ Offtakes
- iii) Other operational provisions relating to Networks, governing the NTS/LDZ Offtakes

Within these central themes sit a number of tightly defined, specific requirements. After a number of years of operation of the NTS/LDZ flow interface, it is appropriate to review and reconsider the relevance and appropriateness of some of the requirements. A full review is likely to conclude that revisions are required to reflect a contract which more appropriately aligns with working practices.

It is proposed that the Review considers the following issues;

- There may be disconnect between the perceived value and use of OPN submissions (for example), and its practical application by relevant Networks in administering the NTS/LDZ flow interface. Each Networks System Control departments are geared to interact on a frequent basis to communicate any variations to previously forecasted flow forecasts. A full review of the actual custom and practice versus OAD requirements is required to ensure all Networks operate in an economical and efficient manner.
- Pressure requests to and from GDNs to National Grid NTS. The existing OAD rules are prescriptive in respect of the pressure requests and requirements within which all parties must operate. A review will examine which other timeframes and pressure requests need considering providing the certainty required for all Transporters when operating their systems.
- Requirement for provisions relating to Low Demand Days.
- Impact of existing tolerances and how material any breaches may be on any Transporter.
- Consequences of enduring Exit Reform arrangements (Modification Proposal 0195AV) on NTS Operational Flows (OAD Section I).
- Appropriateness of existing percentage measures as Offtakes tolerances.

Aggregation of requests by LDZ versus Exit Zone.

Review Terms of Reference

The following items are included within scope of the Review:

- General review of the current NTS Operational flow requirement arrangements and processes within UNC OAD Section I to determine if they are still appropriate, coherent and relevant.
- Implications of any changes to OPN timeframes.
- Implications of any revisions to pressure commitments between National Grid NTS and GDNs.
- Review of application of Low Demand Days.
- Suitability of % measures as Offtake tolerances.
- Aggregation of requests by LDZ versus Exit Zone.
- Impact of the implementation of Modification Proposal 0195AV (*“Introduction of Enduring NTS Exit Capacity Arrangements”*).

Scope and Deliverables

The Review shall focus on changes to the OAD, but also identify where improvements could also be made to documents and procedures which lie outside the UNC. The Review should also look to include any draft Modification Proposals as part of the final report.

Limits

The Review will focus on developing recommendations and UNC Modification Proposals that efficiently address any issues identified in a proportionate and cost effective manner.

Composition of Review Group

This Review will be taken forward within the Offtake Arrangements Workstream, which is open to all.

A meeting will be quorate provided at least four Transporter representatives are present.

Timetable

The Review Report is to be presented to the Modification Panel by January 2011. Although the frequency of meetings will be subject to review and potential change by the Review Group it is suggested that the initial frequency of the meetings be monthly. Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines.

The Workplan is:

July 9th

- Consider draft Terms of Reference and workplan

August 6th

- Topic 1: Exit Zone versus LDZ measures
- Topic 2: Tolerances
- Topic 3: Low demand Days

September 8th

- Topic 4: OPNs
- Topic 5: Pressure Commitments

October 8th

- Impact of 0195AV (where not already covered)
- General sweep up
- Report Compilation / Draft Modification Proposals