

Stage 01: Proposal

0374:

Interruptible to Firm – Supply Point Transition

What stage is this document in the process?

01

Proposal

02

Work Group Report

03

Draft Modification Report

04

Final Modification Report

The Proposal sets out a “soft landing” for those sites being forced to transfer from Interruptible to “Firm” Status with effect from 1st October 2011.



The Proposer has amended this modification following discussion at the 0374 Workgroup



High Impact:
None



Medium Impact:
None



Low Impact:
SPA transactions for c.1,150 interruptible supply points

0374

Modification

06 July 2011

Version 3

Page 1 of 11

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Contents

- 1 Summary
- 2 Why Change?
- 3 Solution
- 4 Relevant Objectives
- 5 Impacts and Costs
- 6 Implementation
- 7 The Case for Change

About this document:

This modification has been amended by the Proposer following discussion at the 0374 Workgroup.



3 **Any questions?**

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0374

Modification

06 July 2011

Version 3

Page 2 of 11

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1 Summary

Is this a Self-Governance Modification

The Modification Panel did not determine that this modification should follow the self-governance route.

Why Change?

This modification has been raised because customers will be exposed to ratchets without an appropriate period to verify peak load requirements and make appropriate amendments without being subject to penal charges. This approach is also consistent with the approach taken when introducing the new DME product (Modification 0224) which allowed an appropriate period to verify peak load before becoming subject to the ratchet charges.

Solution

This modification proposes that ratchet charges will be levied and then reimbursed for a Site with Interruptible Supply Point status changing to a Firm Daily Metered Supply Point from 1st April 2011 until 31 May 2012, for charges applicable from 01 October 2011 to 31 May 2012.

Impacts & Costs

It is anticipated that costs will be minimal as the proposal is to continue to charge Ratchet Charges and then reimburse these charges.

Implementation

It is proposed that the modification is implemented as soon as possible to provide surety to industry participants as to how they will be treated during the transition from Interruptible to Firm.

The Case for Change

Protection from ratchet charges for one year is proposed in the interests of allowing Consumers forced to change from Interruptible to Firm status time to adjust to the new regime.

The approach is consistent with previous changes including the recent introduction of the Daily Metered Elective Product. As Consumers are being forced to change products it is likely that many will take the opportunity to review existing supply arrangements and this may lead to more switching taking place in the run up to October.

This could lead to timing issues when trying to ensure the appropriate SOQs are set as the Appeals process will need to be utilised and potential Network Analysis undertaken if the existing SOQs are altered to reflect current requirements.

With the level of work required to transfer sites along with the potential embargo on registration and the default transfer of Consumers on existing data as a back stop (as



"Mod 90" or "interruption reform"

"Mod 90" introduced new arrangements that removed the "on-demand" interruptible service from the UNC. With effect from 1 Oct 2011, where a DNO has a requirement for interruption, this will be sourced through an auction process

0374
Modification

06 July 2011

Version 3

Page 3 of 11

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proposed in Modification 0367), it is important to provide protection to Consumers in the first year of being transferred to a Firm load.

2 Why Change?

This modification has been raised to provide a soft landing when interruptible loads must transition to firm status on or before 1 October 2011. This change is event related and the rules introduced will be transitional in nature; implementation will have no enduring effect on the operation of the Uniform Network Code.

For sites being mandated to transition from Interruptible to Firm it avoids the risk of exposure to ratchets for the initial 12 month period which will allow Customers an appropriate period to verify peak load requirements without being subject to penal charges.

0374

Modification

06 July 2011

Version 3

Page 4 of 11

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3 Solution

DM Ratchets

This modification proposes that ratchet charges will be levied and then reimbursed for a Site with Interruptible Supply Point status changing to a Firm Daily Metered Supply Point from 1st April 2011 until 31 May 2012, for charges applicable from 01 October 2011 to 31 May 2012.

0374

Modification

06 July 2011

Version 3

Page 5 of 11

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4 Relevant Objectives

The Proposer believes that this modification will better facilitate the achievement of **Relevant Objective f.**

Proposer's view of the benefits of 0367 against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipeline system.	No
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipeline system of one or more other relevant gas transporters.	No
c) Efficient discharge of the licensee's obligations.	<u>Yes</u>
d) 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.	No
e) 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.	No
f) Promotion of efficiency in the implementation and administration of the Code	<u>No</u>

c) Allowing a soft landing, which protects consumers who may not be familiar with the forthcoming changes is consistent with efficient discharge of the licensee's obligations as it allows time to establish appropriate SOQ levels without the risk of suffering penal charges.

5 Impacts and Costs

Costs

It is anticipated that costs will be minimal as the proposal is to continue to charge Ratchet Charges and then reimburse these charges. Xoserve indicative costs are in the region of £50k and it is proposed that Transporters fund these.

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> None
Operational Processes	<ul style="list-style-type: none"> It is anticipated that impacts will be minimal as the proposal is to continue to charge Ratchet Charges and then reimburse these charges.
User Pays implications	<ul style="list-style-type: none"> None

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> None
Development, capital and operating costs	<ul style="list-style-type: none"> None
Contractual risks	<ul style="list-style-type: none"> None
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None envisaged

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> None
Development, capital and operating costs	<ul style="list-style-type: none"> None
Recovery of costs	<ul style="list-style-type: none"> None
Price regulation	<ul style="list-style-type: none"> None
Contractual risks	<ul style="list-style-type: none"> None

0374

Modification

06 July 2011

Version 3

Page 7 of 11

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Impact on Transporters	
Legislative, regulatory and contractual obligations and relationships	• None
Standards of service	• None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	• None
UNC Committees	• None
General administration	• None

Impact on Code	
Code section	Potential impact
Transition Document IIC	Additional paragraph to be added.

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	None
Storage Connection Agreement (TPD R1.3.1)	None
UK Link Manual (TPD U1.4)	None
Network Code Operations Reporting Manual (TPD V12)	None
Network Code Validation Rules (TPD V12)	None
ECQ Methodology (TPD V12)	None
Measurement Error Notification Guidelines (TPD V12)	None
Energy Balancing Credit Rules (TPD X2.1)	None
Uniform Network Code Standards of Service (Various)	None

0374

Modification

06 July 2011

Version 3

Page 8 of 11

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Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None
Gas Transporter Licence	None

Other Impacts	
Item impacted	Potential impact
Security of Supply	None
Operation of the Total System	None
Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	None

0374

Modification

06 July 2011

Version 3

Page 9 of 11

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6 Implementation

It is proposed that the modification be implemented as soon as possible to provide surety to industry participants as to how Consumers will be treated from October 2011.

0374

Modification

06 July 2011

Version 3

Page 10 of 11

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7 The Case for Change

In addition to that identified the above, the following has been identified:

Advantages

Consumers who are being forced to switch are protected from Ratchet charges for a reasonable period which will allow them time to establish appropriate SOQ levels without suffering penal charges

The approach being proposed is consistent with the protection afforded customers voluntarily accessing the DME product and allows an appropriate time for customers to establish suitable levels of SOQ.

Consumers will be provided with a window during which they can establish appropriate levels for SOQ with the relevant Transporter e.g. appeals, re-enforcement works etc.

Disadvantages

Consumers will not be charged for Ratchets which occur during the “soft landing” window.

0374

Modification

06 July 2011

Version 3

Page 11 of 11

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