

Stage 01: Proposal

0397:

Amendments to Section I of the OAD to reflect Offtake Profile Notice rules and recognition of different NTS/LDZ Offtake sensitivities

This proposal has two central themes:

Recognition that key NTS/LDZ Offtakes need separate rules from the majority of offtakes when determining flow tolerance levels; and

Amends a number of operational timeframes and inconsistencies to better reflect the working practices of NG NTS and GDNs



The Proposer recommends that the Workgroup should assess this modification.



High Impact:



Medium Impact:
National Grid NTS & GDNs



Low Impact:

What stage is this document in the process?



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About this document:

This document is a proposal, which will be presented by the Proposer to the Workgroup on 29 November 2011.



3 **Any questions?**

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1 Summary

Is this a Self-Governance Modification

The Modification Panel determined that this modification should follow Self Governance procedures.

Why Change?

The Proposer's view is that the proposed Offtake tolerance rules will enable all Transporters to target those Offtakes where the requirement to remain within agreed flow profile tolerances has a greater potential impact on operation of the whole system.

The suggested timeframes and other revised legal text provide a series of agreed working practices that better support the required processes outlined in UNC Offtake Arrangements Document (OAD) Section I

Solution

The solutions set out in this proposal have been proposed by Wales and West Utilities following lengthy discussions in Review Group 0316 "Review of Section I of the Offtake Arrangements Document (OAD): NTS Operational Flows".

The relevant Supplemental Agreements will reference any NTS/LDZ Offtake categorised as a 'Designated Offtake'. All other NTS/LDZ or LDZ/LDZ Offtakes will be determined as Non-Designated.

The respective flow profile tolerances and associated OAD Section I requirements will be set by the Offtake designation.

It is proposed that Designated Offtakes and their associated tolerances will be established on a bilateral basis between National Grid NTS and the relevant DNO. Any amendments to designations (categorisation or specific tolerance) can be raised by either National Grid NTS or the relevant GDN at any time, but will only be altered with the agreement of National Grid NTS. Both parties are expected to use reasonable endeavours to reach a mutually acceptable decision with regards to any altered designation or tolerance, demonstrating the need for any change and the impact on its system operation if the proposed alteration is not satisfied. Any such change to a Supplemental Agreement will take a maximum of 3 months to be implemented from the time the tolerance is confirmed by National Grid NTS. Any 'new' NTS/LDZ Offtake will have its designation agreed by both National Grid NTS and the relevant GDN

A number of other legal text changes are proposed;

- Lengthening the time for Transporters to provide revised OPNs where flow swaps between 2 Offtakes are agreed between National Grid NTS and the relevant GDN
- Aligning the level at which Transporters can request / agree flow swaps (i.e. changed so both at LDZ level)

Impacts & Costs

Each Transporter may require limited changes to existing systems. The cost of any changes will be borne by the relevant Transporter. There are no Xoserve / central system implications.

Implementation

This modification proposal does not include a proposed timescale for implementation (for the purposes of enabling the Authority and any persons, including but not limited to

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Users, Transporters, Third Party Participants and Non Code Parties to be aware of the potential benefits or constraints associated with such timing).

Implementation could take place 3 weeks after a self-governance decision by the Panel or, if not deemed suitable for self-governance, following a decision by the Authority.

The Case for Change

The OAD currently sets out a series of clauses which were established pre Distribution Network sales in 2005, which reflected some working practices and anticipated the requirements of all Transporters when establishing tolerances for OPNs.

These new proposals reflect the evolving working practices which all Transporters acknowledge supersede those first captured in 2005.

Similarly, the proposed changes will allow all Transporters to warrant their compliance with this area of the OAD, and not seek to secure compliance by creating unnecessary workarounds or seeking to adhere to rules that do not benefit any party.

Recommendations

The Proposer recommends this modification should be assessed in the Workgroup.

2 Why Change?

Prevailing Offtake Tolerances

All NTS/LDZ Offtakes are currently required to offtake gas within prescribed tolerances of the Prevailing Offtake Rate.

- ALL NTS/LDZ Offtakes Within 10% by Offtake
- ALL LDZs Within 3% for all Offtakes measured in aggregate in an LDZ.

It is not possible nor necessary for every Offtake to be operated within these parameters for reasons set out below;

NTS/LDZ Offtakes have different operational characteristics and significance to the National Transmission System.

NTS/LDZ Offtakes are either controlled to a set pressure or volume:

Pressure controlled Offtakes operate to maintain a set pressure at the outlet of the NTS / LDZ Offtake to satisfy the GDNs variable (daily) capacity needs. The rate of offtake is therefore directly driven by the downstream demand (customer profile). Pressure controlled Offtakes generally have smaller capacities that is likely to be of less significance to the NTS.

Volumetric controlled Offtakes operate to maintain a set flow (volume per hour) through the Offtake irrespective of downstream demand. Fluctuations in demand are satisfied through DN storage, often linepack storage within the pipeline. Volumetric Offtakes are likely to have high capacities and have more significant impact on the NTS.

By agreeing Designated Offtakes with NG NTS, GDNs can focus its efforts on predicting and managing flows through these sites.

The proposal stipulates the specific sites proposed as designated. It is anticipated this list may alter over time with new Offtakes etc, therefore this list will be kept under review by the Transporters.

Alignment of OPN revision request criteria

There is an anomaly in Section I of the OAD (I 2.4.3 and I 2.5.3) which details arrangements for flow swaps requested by GDNs or NTS. Currently NG NTS can request flow swaps provided that the aggregate OPN remains unchanged at LDZ level, whereas GDNs can only request flow swaps provided that the aggregate OPN remains unchanged within an NTS Exit Zone.

This proposal aligns the rules for both parties to flow swap at LDZ level.

3 Solution

Key Proposal

The key proposal is to remove the "one size fits all" treatment of NTS/LDZ Offtakes by categorising as either a;

- (i) Designated Offtake; or
- (ii) Non-Designated Offtake

Non-Designated Offtakes will be required to operate within an OPN tolerance of 1 mcmd and Designated Offtakes will be required to operate to a tolerance which will be specified in the Offtake's Supplemental Agreement.

Linked to this, amendments to the application of aggregate LDZ OPN tolerances are proposed, to capture specific scenarios where bespoke UNC rules are appropriate for specific LDZs.

The remaining operational changes and solutions are clearly captured in suggested legal text in Section 8; namely

- relaxation of frequency in which a DNO can submit revised Offtake Profile Notices
- removal of requirement to specify Operational circumstances for a DNO flow swap request.
- extension of area for DNO flow swap request from NTS Exit Zone level to LDZ level (providing for consistency with National Grid NTS)

4 Relevant Objectives

Implementation is expected to better facilitate the achievement of **Relevant Objectives b and f**.

Proposer's view of the benefits against the Code Relevant Objectives

Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	
b) 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.	Yes
c) Efficient discharge of the licensee's obligations.	
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.	
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.	
f) Promotion of efficiency in the implementation and administration of the Code	Yes

b) 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

The proposed changes allow Transporters to prioritise those Offtakes where operating to a required tolerance benefits the efficient operation of the Upstream and Downstream Transporter. Similarly, the efficiency of system(s) is improved by allowing flows to be transferred between Offtakes within the LDZ at the request of either Transporter.

f) Promotion of efficiency in the implementation and administration of the Code

Amending OAD Section I to recognise agreed working practices and to support these practices by reference to the Supplemental Agreements promotes efficiency in the administration of the Code. Using individual Supplemental Agreements to reflect specific tolerances etc, allows for changes to these rules without having to alter the OAD on every occasion.

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5 Impacts and Costs

Consideration of Wider Industry Impacts

No impacts identified.

System Implications

There would be little or no system implications for the Transporters resulting from the implementation of this modification as it would be aligning the OAD with existing or newly required operational practices. There are no central system impacts associated with this modification

Costs

Indicative industry costs – User Pays	
Classification of the proposal as User Pays or not and justification for classification	
Not User Pays as it does not create any User Pays Services / Charges	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
Not applicable	
Proposed charge(s) for application of Users Pays charges to Shippers	
Not applicable	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve	
Not applicable	

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"> • low
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

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Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:
<http://www.gasgovernance.co.uk/sites/default/files/0565.zip>

Impact on Users	
Contractual risks	<ul style="list-style-type: none"> • none
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> • none

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> • This modification will improve the quality of information provided by DNOs to National Grid NTS via OPNs in respect of those offtakes which are most critical to the safe and efficient operation of the NTS, thereby improving system operation.
Development, capital and operating costs	<ul style="list-style-type: none"> • see above
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"> • no additional contractual risks are identified within this proposal
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> • contractual obligations (OAD) are amended to reflect required operating parameters.
Standards of service	<ul style="list-style-type: none"> • none

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> • none
UNC Committees	<ul style="list-style-type: none"> • none
General administration	<ul style="list-style-type: none"> • none

Impact on Code	
Code section	Potential impact
TPD OAD Section I	<ul style="list-style-type: none"> • Text revisions

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

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

6 Implementation

Implementation is not linked to any specific industry event or date, however all Transporters believe there is merit in implementation being made as soon as reasonably practicable

As self-governance procedures are proposed, implementation could be 16 business days after a Modification Panel decision to implement.

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7 The Case for Change

The proposer has not identified any additional advantages to those detailed in the proposal. No disadvantages have been identified.

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8 Legal Text

Proposed Legal Text

1.2.1 In this Section I:

- (a) references to Offtakes are to all NTS/LDZ Offtakes;
- (b) a reference (in relation to an LDZ or NTS/LDZ Offtake(s) serving an LDZ) to the aggregate offtake or rate of offtake is a reference to the aggregate, for all NTS/LDZ Offtakes serving the LDZ, of the offtakes or rates of offtake.
- (c) references to Designated Offtakes are to NTS/LDZ Offtakes as agreed and referenced in the Offtake Supplemental Agreement
- (d) **references to Non Designated Offtakes are to NTS/LDZ Offtakes not referenced in any Offtake Supplemental Agreement**

2.3.5 The DNO may not submit a revised Offtake Profile Notice in relation to any Offtake:

~~(a) — more frequently than once in each hour of the clock~~

~~(b)~~ (a) so as to change the rate of offtake other than with effect from an exact hour of the clock; or

~~(c) — later than 04.00 on the gas flow day~~

2.4.4 To the extent to which the revision by the DNO of any Offtake Profile Notice(s) in compliance with National Grid NTS' request would infringe any of the requirements of this paragraph 2 or TPD Section J4.5.2, National Grid NTS shall be deemed to have waived such other requirements (on the assumption that the DNO submits such revised Offtake Profile Notice(s) for Designated Offtakes within 30 minutes after ~~15~~ minutes the nearest full hour after National Grid NTS request is made)

2.5.2 A DNO's request shall specify:

~~(a) — the operational circumstances giving rise to to the DNO's request~~

~~(b)~~ (a) the Offtakes and LDZ in respect of which such revision is requested

~~(c)~~ (b) the times with effect from which the DNO wishes to revise the relevant rates of offtake; and

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~~(d)~~(c) the revised rates of offtake requested.

2.5.3 Any request by a DNO for the revision of any Offtake Profile Notices shall satisfy the requirement that, for all times in the Day, the aggregate, in respect of all Offtakes (serving the same LDZ NTS Exit Zone) for which such request is made, of the revised rates of offtake requested is the same as the aggregate rates of offtake under the prevailing Offtake Profile Notices at the time the request is made.

3.1 Offtake tolerances

3.1.1 This paragraph 3.1 sets out the tolerances referred to in TPD Section J4.6.2, and any Offtake Designations referenced in the relevant Offtake Supplemental Agreement

3.1.2a For the purposes of TPD Section J4.6.2(a), the tolerance, in respect of the offtake of gas at a Designated Offtake ~~is 10% of the Prevailing Offtake Rate~~ is set out in the relevant Offtake Supplemental Agreement.

3.1.2b For the purposes of TPD Section J4.6.2(a), the tolerance in respect of the offtake of gas at a Non Designated Offtake is >1mcmd.

3.1.3 For the purposes of TPD Section J4.6.2(b), the tolerance in respect of the offtake of gas in aggregate at all of the offtakes (served by two or more offtakes) which serve the LDZ is 3% of the aggregate of the Prevailing Offtake Rate

3.1.4 Amending the categorisation of an offtake from Designated to Non Designated offtakes or amending the tolerance of a Designated Offtake can only be done with the agreement of National Grid NTS. Any change should have a maximum 3 months lead time from confirmation by National Grid NTS prior to the new designation and/or tolerance being effective.

3.1.7 Any new NTS/LDZ Offtake must have its designation and any tolerance level agreed by both Networks.

Section N

3.2 Amendment of Supplemental Agreements

3.2.1 A Supplemental Agreement may be amended by agreement of the Parties and not otherwise (save for any Designated Offtakes referenced in Section I 1.2.1 c, which may be amended by National Grid NTS if both parties cannot agree); and accordingly a Supplemental Agreement shall not be subject to modification pursuant to the Modification Rules

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The Proposer invites the Workgroup to:

- assess the modification and agree it is sufficiently developed to proceed to consultation.

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