

## Stage 02: Workgroup Report

# 0397:

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

This modification 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 National Grid NTS and GDNs



The Workgroup recommends that this self-governance modification should now proceed to Consultation



High Impact:



Medium Impact:  
National Grid NTS & GDNs



Low Impact:

What stage is this document in the process?

01 Proposal

02 Workgroup Report

03 Draft Modification Report

04 Final Modification Report

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## About this document:

The purpose of this report is make a recommendation to the Panel, to be held on 15 December 2011, on whether Modification 0397 is sufficiently developed to proceed to consultation and to submit any further recommendations in respect of the definition and assessment of this self-governance modification.



**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?

It is not possible nor necessary for all NTS/LDZ Offtakes to operate within prescribed tolerances of the Prevailing Offtake Rate.

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.

## Solution

{This section was modified for the Workgroup Report at the Proposer's request. It is anticipated that the Modification will be similarly amended}

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)

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## **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**

As this is a self-governance modification, implementation could be 16 business days after a Modification Panel decision to implement.

## **The Case for Change**

Implementation would avoid inefficient processes and hence support efficient operation of the system and efficient implementation of the UNC.

## **Recommendations**

The Workgroup considers that this self-governance modification is sufficiently developed and should now proceed to consultation.

## 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 are 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.

It is anticipated that the number of designated offtakes may alter over time as networks and the demands placed upon them evolve. 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 National Grid 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 modification aligns the rules for both parties to flow swap at LDZ level.

### 3 Solution

{This section was modified for the Workgroup Report at the Proposer's request. It is anticipated that the Modification will be similarly amended}

#### 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
g) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	

#### **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 networks 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**

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Amending OAD Section I to recognise working practices and to support these practices, where necessary, by reference to Supplemental Agreements promotes efficiency in the administration of the Code. Using individual Supplemental Agreements to reflect specific tolerances for Designated Offtakes allows for changes to be made without having to raise a UNC Modification to alter the OAD on every occasion.



## 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	• none
Operational Processes	• low
User Pays implications	• none

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	• none
Development, capital and operating costs	• none

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

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> <li>• 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..</li> </ul>
Development, capital and operating costs	<ul style="list-style-type: none"> <li>• see above</li> </ul>
Recovery of costs	<ul style="list-style-type: none"> <li>• none</li> </ul>
Price regulation	<ul style="list-style-type: none"> <li>• none</li> </ul>
Contractual risks	<ul style="list-style-type: none"> <li>• none</li> </ul>
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> <li>• contractual obligations (OAD) are amended to reflect required operating parameters.</li> </ul>
Standards of service	<ul style="list-style-type: none"> <li>• none</li> </ul>

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

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

Impact on Code	

#### 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	<ul style="list-style-type: none"> <li>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 the operation of the Total System.</li> </ul>
Industry fragmentation	<ul style="list-style-type: none"> <li>None</li> </ul>
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none"> <li>None</li> </ul>

## 6 Implementation

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

## 7 The Case for Change

Nothing in addition to that identified elsewhere in this Report.

## 8 Legal Text

### Legal Text

Revised legal text will be provided in light of discussion at the Workgroup.

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 established as such by National Grid NTS and the relevant DNO and referenced in the Offtake Supplemental Agreement
- (d) [ ] All others are Non Designated Offtakes.

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) within 30 minutes after ~~15 minutes~~ 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

~~(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 the basis on which they shall apply.

3.1.2a For the purposes of TPD Section J4.6.2(a) and (c), 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 Supplemental Agreement pertaining to that Offtake.

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

3.1.3 ~~Subject to paragraph 3.1.4, i~~n respect of an LDZ which is served by two or more offtakes, for the purposes of TPD Section J4.6.2(b) and (c), the tolerance in respect of the offtake of gas in aggregate at all of the offtakes which serve the LDZ is 3% of the aggregate of the Prevailing Offtake Rate and otherwise ~~the tolerance shall not apply~~shall be zero.

~~3.1.4 For the purposes of TPD Section J4.6.2 (b) and (c), the tolerance in respect of the offtake of gas in aggregate at all of the offtakes that serve any LDZ which is served by two or more offtakes on days when the total daily throughput of the highest measured NTS/LDZ Offtake flow is greater than 90% of the aggregate LDZ throughput is 3% of the Prevailing Offtake Rate~~

~~3.1.5 Rules in 3.1 will apply between 0800 and 0400 on any Gas day~~

3.1.6 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 ~~minimum-maximum~~ 3 months lead time from confirmation by National Grid NTS ~~prior to the new designation and/or tolerance being effective. [To be amended to match revised Solution.]~~

3.1.7 Any new NTS/LDZ offtake must have its designation and any tolerance level agreed by National Grid NTS and the relevant DNO.

## 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 amendment to classify an Offtake as a Designated Offtake or to amend the tolerance of a Designated Offtake,



\_\_\_\_\_ 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

## 9 Recommendation

The Workgroup invites the Panel to:

- AGREE that Modification 0397 be submitted for consultation.