

Stage 04: Final Modification Report

0401S:

Amendments to the provisions for agreeing pressures at the Offtakes from the National Transmission System to Distribution Networks.

This modification seeks to make amendments to the annual process for agreeing the pressures at the Offtakes from the National Transmission System to the Distribution Networks and to amend the daily process for revising these pressures.



Panel determined to implement the modification.



High Impact:



Medium Impact:



Low Impact: National Grid NTS and DNOs

At what stage is this document in the process?



0401S

Final Modification Report

19 April 2012

Version 2

Page 1 of 16

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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	
8	Legal Text	
9	Consultation Responses	
10	Panel Discussions	Error! Bookmark not defined.
11	Recommendations	16

About this document:

This document is a Final Modification Report, presented to the Panel on 19 April 2012. The Panel will consider the views presented and decide whether or not this self-governance change should be made.



3 Any questions?

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0401S

Final Modification Report

19 April 2012

Version 2

Page 2 of 16

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1 Summary

Is this a Self-Governance Modification

The Modification Panel determined that this is a self-governance modification.

Why Change?

The existing rules for agreeing and revising pressures at the National Transmission System (NTS) Offtakes into the Distribution Networks (Oftakes) do not necessarily meet the requirements of the affected parties. This has been considered as part of Review Group 0316: Review of Section I of the Offtake Arrangements Document (OAD): NTS Operational Flows.

Currently the process for agreeing pressures annually and daily does not recognise that some Offtakes are more "significant" than others.

Solution

It is proposed that in relation to all Offtakes it should be agreed between NTS and each DNO which Offtakes ("significant") will be subject to the daily "Agreed 0600 Pressure" process.

It is also proposed that a DNO or NTS may request to add an Offtake to the list of the significant Offtakes, giving as much notice as possible. Such an Offtake would then become subject to the daily "Agreed Pressure" process for a period to be notified. Where NTS and the DNO do not agree whether an Offtake should be added to the list, the default position will be that the Offtake will be treated as a Significant Offtake.

It is proposed that for the non-significant oftakes the default Applicable Offtake Pressure will be a minimum pressure of the lesser of either 38 barg or the Assured Pressure, for 06:00 and 22:00 and the associated tolerances between those hours will apply in line with OAD I4.3.

In reviewing UNC to identify potential consequences where a DNO User complies with an NG NTS pressure request a typo was identified in respect of paragraph 3.4.7. The provision incorrectly disapplies itself when instead it is the obligations to make payment in respect of non-compliant gas which are disapplied in the circumstances described in paragraph TPD J 3.4.7.

Impacts & Costs

This modification would revise the annual Assured Pressure process and the daily Agreed Pressure process.

Implementation

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

The Case for Change

To amend the arrangements for managing pressures to the satisfaction of both the upstream and downstream Transporters is consistent with the achievement of the following Relevant Objective:

0401S

Final Modification Report

19 April 2012

Version 2

Page 3 of 16

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(f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.

2 Why Change?

The existing rules are prescriptive in respect of pressure requests and amendments and the requirements within which all parties must operate. The Proposer considers that they do not necessarily meet the requirements of the affected parties. Within the remit of Review Proposal 0316 the processes for agreeing and revising pressures have been considered with the aim of providing the certainty required for the relevant Transporters when operating their systems. The consequences of DNO compliance with NTS requests for amended pressures have also been considered.

Currently the process for agreeing pressures annually and on the Day, pay little attention to the fact that some Offtakes are more "significant" than others. Some Offtakes may either be in a similar location on the NTS to a large Offtake and therefore likely to be subject to the same pressure provision by association, or they may require much lower pressures than some of the larger Offtakes and therefore do not (in the absence of a particular operational issue) require the same focus.

As a result of agreeing to revised pressures at some of the Offtakes a DNO may currently be caused to compromise certain other UNC provisions. The DNO can only reject such a request from NTS where the request is not consistent with the safe and efficient operation of the LDZ (OAD Section I4.2.6). It is important to ensure that the DNO is not adversely penalised either as a result of facilitating a request by NTS, or as a result of NTS delivering lower than Agreed pressures. These adverse impacts do little to assist either NTS or the DNO in achieving their objectives of operating their respective networks efficiently. For the purposes of this modification it is assumed that for instances where the DNO has accommodated a request from NTS for a revised pressure (Agreed Pressure) and where NTS has delivered a pressure below or above the Agreed Pressure it is assumed that NTS would accommodate any associated flow swap (which comes into effect via a revised OPN in accordance with OAD I 2.4 & 2.5) and the associated Capacity.

3 Solution

As part of the annual process, which leads to the creation of the Offtake Pressure Statement, it is proposed that in relation to all Offtakes NTS and each DNO will create a combined list of Offtakes ("Significant") which will be subject to the daily "Agreed Pressure" process. This would potentially reduce administration for all parties to this process as well as helping to provide the focus where it is required.

It is also proposed that for any operations (e.g. maintenance) where it is necessary to request specific pressures at any Offtakes (which may or may not be on the Significant Offtake list) the DNO or NTS must use reasonable endeavours to give as much notice as possible to request and agree the required pressures. Such Offtakes will be added to the list of "Significant" Offtakes for a period to be notified and this can take place up to midnight on the Day in question. Where NTS and the DNO do not agree whether an Offtake should be added to the list, the default position will be that the Offtake will be treated as a Significant Offtake.

It is proposed that for the remaining Offtakes, which are not included on the list of significant Offtakes, the default Applicable Offtake Pressure will be a minimum pressure of the lesser of 38 barg or the Agreed Pressure, for 06:00 and 22:00 and the associated tolerances between those hours will apply in line with OAD I4.3.

In certain circumstances (for example an unforeseen constraint/plant failure) either the DNO or NTS may request that an Offtake be added to the list of significant Offtakes at short notice and after the deadline for the submission of initial pressure requests has passed. In this instance where it is the DNO that submits the nomination it will make an initial pressure request at the same time as making the nomination. Where it is NTS that makes the nomination the DNO will submit an initial pressure request (specifying a requested 0600 pressure that is the lower of 38 barg or the Assured Pressure) as soon as reasonably practicable after receiving NTS's nomination. In both instances NTS will agree to extend the deadline for revising such initial pressure request beyond 24.00 hours on the Day as is reasonable in the circumstances and the usual processes in I4.2.3 to 4.2.6 (inclusive) for agreeing revisions will apply.

In reviewing UNC to identify potential consequences where a DNO User complies with an NG NTS pressure request a typo was identified in respect of paragraph 3.4.7. The provision incorrectly disapplies itself when instead it is the obligations to make payment in respect of non-compliant gas which are disapplied in the circumstances described in paragraph TPD J 3.4.7. The legal text provided addresses this error.



Pressure Process

Assured Offtake Pressure is that set out in accordance with TPD Section J2.5 and set out each year in the Offtake Pressure Statement.

Agreed pressure OAD I4.2 This may be a revision to the Assured Pressure which will be decided between NTS and the relevant DNO on the Day.



What happens on the Day?

If for operational reasons the pressure provisions at a particular Offtake are affected this will generally be dealt with via an associated flow swap requested at another Offtake. effected by a revised OPN.

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	No
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.	No
c) Efficient discharge of the licensee's obligations.	No
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	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	No

To amend the arrangements for managing pressures to the satisfaction of both the upstream and downstream Transporters is consistent with the achievement of the following relevant objective:

A11.1 (f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.

The Workgroup considered that implementation of this modification will reduce the current administrative burden associated with the daily operational process for pressure management and enforcement by clarifying which offtakes are significant and therefore should be monitored for such purpose rather than monitoring all offtakes.

Scotia Gas Networks do not agree that adding this extra complexity into the code will offer any measurable benefits and so does not better facilitate Relevant Objectives a) or b) in terms of efficient operation of the pipeline systems.

5 Impacts and Costs

Consideration of Wider Industry Impacts

No wider industry impacts identified.

Costs

Indicative industry costs – User Pays	
Classification of the Proposal as User Pays or not and justification for classification	
Not User Pays.	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
N/A	
Proposed charge(s) for application of Users Pays charges to Shippers	
N/A	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve	
N/A	

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"> Some changes would be introduced to the relevant Transporters daily and annual processes. Scotia Gas Networks consider this modification could have a negative impact on the operation of their networks due to the "lesser of" rule applied to pressures for non-significant offtakes.
User Pays implications	<ul style="list-style-type: none"> None

Impact on Users	
Area of Users' business	Potential impact

0401S

Final Modification Report

19 April 2012

Version 2

Page 8 of 16

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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	
Administrative and operational	<ul style="list-style-type: none"> The annual process is likely to require extra resources to manage the additional TPD requirements. However, this is offset by a reduction in the administration of the daily operational process.
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

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> Any processes associated with revising pressures would be likely to be affected.
Development, capital and operating costs	<ul style="list-style-type: none"> Not significant
Recovery of costs	<ul style="list-style-type: none"> None proposed
Price regulation	<ul style="list-style-type: none"> It is not anticipated that these change proposals would have any affect on price regulation.
Contractual risks	<ul style="list-style-type: none"> This modification if implemented would reduce contractual risk for DNOs with no detrimental impact anticipated for NTS.
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None
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

Impact on Code	
Code section	Potential impact
OAD Section I	Introducing the concept of Significant Offtakes and minimum pressures for the remaining offtakes. Addition of the process for creating the Significant offtakes annually and daily.
TPD Section J	The introduction of the concept of Significant Offtakes in relation to the Assured Pressure process. Correction of a typo in J3.4.7.

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	This modification, if implemented would facilitate better alignment of the upstream and downstream Transporters' Systems.
Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	None

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

In addition to those above, the Workgroup identified the following:

Advantages

- May provide recognition that in the pressure planning and implementation process, some Offtakes are more significant than others providing clarity in planning the operation of the network.
- Provides more certainty for both parties with regard to dealing with revised pressures and aids contractual compliance.

Disadvantages

None identified.

8 Legal Text

Legal Text

The legal text is published alongside this modification at www.gasgovernance.co.uk/0401

9 Consultation Responses

Representations were received from the following parties:

Respondent	
Company/Organisation Name	Support Implementation or not?
British Gas	Comments
E.ON UK	Comments
National Grid Distribution	Supports
National Grid NTS	Supports
Northern Gas Networks	Supports
Scotia Gas Networks	Not in Support
Wales & West Utilities	Comments

Of the seven representations received, three supported implementation, three provided comments and one was not in support.

Summary Comments

British Gas understands, at a very high level, the likely requirement for flexible operation of the NTS and Distribution Systems and wonder whether the extent of the flexibility on offer to DNs from NG NTS is in keeping with NG NTS offering services to all Users on a not unduly discriminatory basis. If "Capacity swapping" occurs or could occur, this may suggest that a form of zonal capacity product is available to DN users but is not available to other NTS Users. Such a product might appear to be akin to short-term capacity transfers between exit points within a defined zone. Arguably, such a secondary market in capacity within a zone might be a useful product for all Users and could help to unlock or make available any capacity that is effectively sterilised due, for example, to a User no longer requiring the capacity but being unable for the time being to release it back to National Grid NTS (such inability to release capacity might be due to an outstanding User Commitment or the limited opportunity available to apply for capacity reductions).

E.ON UK are unclear whether the issues raised in the National Grid NTS initial representation on the potential impact of implementation on other NTS Users (e.g. Direct Connect Power Stations, CSEPs or large industrial customers) have been fully addressed. They would be particularly concerned, for example, if this modification were to result in a reduced standard of service to, or restrictions on, existing (or future) NTS connections, as the DMR does not seem to cover this issue adequately. E.ON UK is conscious that this modification has been developed in the Offtake Workgroup, which many Shippers do not usually attend. They would like to see clarification from both the proposer and confirmation from National Grid NTS that implementation would not affect other Users and their network access rights, before a Modification Panel determination is made.

National Grid Distribution advises that implementation would not affect other Users and their network access rights, as this modification is aimed at streamlining an existing process that already exists for managing pressures at the NTS to DN Offtakes.

0401S

Final Modification Report

19 April 2012

Version 2

Page 13 of 16

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National Grid NTS notes that they provided an initial representation, which highlighted some initial concerns with the original modification regarding the relief of specific UNC provisions under certain scenarios. The proposer has since amended the modification and the relief of UNC provisions are no longer a feature of the modification. National Grid NTS welcomes the changes made by the proposer and as a result the concerns detailed within their initial representation with regards to this aspect are no longer applicable.

Northern Gas Networks consider implementation will introduce a procedure to agree pressures between National Grid NTS and each Distribution Network Operator at significant offtakes, which will reduce the administrative burdens on both sides. They are satisfied that safeguards are in place to preserve the pressure used as a planning minimum pressure.

Scotia Gas Networks do not support the introduction of a new minimum pressure into the UNC for non-significant sites which the proposal seeks to set as the lesser of 38 barg or the assured pressure. This would mean that any NTS Offtake not defined as significant would experience reduced pressure at its inlet. The reduction in available pressure would reduce operating capability below that of current planning parameters and would have a negative impact on the operation of their networks; this would then require them to define the majority of offtakes as significant.

Wales & West Utilities are supportive of the principles underpinning this modification and targeting key Significant Offtakes, which benefit both Transporters operation, is appropriate. They are not convinced however, that the modification will necessarily promote any increased efficiency in the administration of this area of the Code. The requirement for DNO's to monitor and specify 'Significant' Offtakes to satisfy certain conditions may be less efficient than the current arrangements. The modification may have merits, however, for those Transporters electing to use it, and a DNO can create the same working arrangements as now by specifying all its offtakes as Significant Offtakes.

10 Panel Discussions

The Panel Chair summarised that Modification 0401S seeks to change the process by which offtake pressures are agreed between National Grid NTS and DNs. It is proposed that significant offtakes be identified and subject to a daily process, with a default process applying elsewhere.

Members recognised that focussing on the most significant offtakes is likely to be an efficient approach, and consequently that implementation would be consistent with the promotion of efficiency in the implementation and administration of the code.

A Member was concerned that setting the default Applicable Offtake Pressure at the lesser of either 38 barg or the Assured Pressure could reduce pressures at offtakes, which would adversely impact DN system operation and hence be inconsistent with promoting efficient and economic system operation. Other members noted that a DN would be able to designate all offtakes as significant and hence avoid any detriment that might otherwise arise. However, it was also recognised that the benefits of implementation would be removed if every offtake were to be designated as significant.

Some members were concerned that no evidence had been presented to provide assurance that there would be no detrimental impact on other exit points as a result of implementation. In consequence, they could not be confident that implementation would not be detrimental to competition since it could impact different NTS Users differently, and so not facilitate the relevant objectives.

Members then voted and with six votes in favour and one against, determined that Modification 0401S should be implemented.

11 Recommendations

Panel Recommendation

Having considered the 0401S Modification Report, the Panel determines:

- that proposed Self-Governance Modification 0401S be made.