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Modification Proposal 0401 - Amendments to the provisions for agreeing pressures at the Offtakes from the National Transmission System to Distribution Networks

Dear Mike,

Thank you for your invitation seeking initial representations with respect to Modification Proposal 0401 (MOD 401). This response is issued on behalf of National Grid Transmission.

We understand that MOD 401, in addition to proposed changes to relieve the admin burden of the daily agreed pressure process, proposes to provide Distribution Network Operators (DNOs) relief from the application of certain UNC provisions (NTS Exit (Flat) Overruns, ramp rates, OPN notice periods and maximum permitted rates) at NTS/LDZ offtake(s). The relief from these provisions is provided at any NTS/LDZ offtake impacted by National Grid NTS delivering either an 06:00 hrs agreed pressure that is lower than the assured or an 06:00 hrs pressure that is lower than that which was agreed between National Grid NTS and the relevant DNO.

National Grid NTS have a number of areas that we believe should be discussed as part of the development of this proposal and these are detailed below. We look forward to the debate and development of this proposal through the MOD 401 workgroups.

Self Governance

National Grid NTS appreciates the proposer's view that MOD 401 is a self governance proposal; however we believe that the proposal should be subject to regulatory oversight and therefore should not be subject to self governance.

Under certain circumstances MOD 401 removes the incentive for DNO Users to offtake gas from the NTS in a manner normally permitted through the application of the UNC provisions that MOD 401 seeks relief from. Therefore, of the self governance criteria detailed under special condition A11 of the Gas Transporter Licence in respect of the NTS, we believe MOD 401 has the potential to materially impact:

- **Existing or future gas consumers.** National Grid NTS may be required to configure the National Transmission System (NTS) to accommodate offtake flows at an NTS/LDZ offtake(s) that it would otherwise not be obliged to do so. This may consequently impact upon National Grid NTS's ability to accept gas expected for delivery and/or expected to be made available for

offtake by existing (or future) gas consumers due to NTS constraints that may otherwise have been avoided.

- **The operation of one or more pipe-line system(s).** The NTS may have to be operated differently in order to accommodate and anticipate, at any NTS/LDZ offtake, the potential shortened notice of offtake flow rate changes, ramp rates in excess of those currently expected through the existing contractual framework, flow rates in excess of those currently permitted and offtake of gas in excess of the DNO Users NTS Exit (Flat) Capacity entitlement.
- **Matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies.** The NTS may have to be configured in a sub optimal way in order to accommodate gas for offtake that is unbound by the aforementioned UNC provisions (NTS Exit (Flat) Overruns, ramp rates, OPN notice periods and maximum permitted rates). This could lead to a more constrained network on any gas day.
- **Is unlikely to discriminate between different classes of parties to the uniform network code / relevant gas transporters, gas shippers or DN operators.** Potentially having to accommodate flows at NTS/LDZ offtakes that we would not otherwise be obliged to do so, may have a detrimental impact upon our ability to accommodate flows at other NTS offtakes and/or system entry points that are utilised by other parties.

User Pays

National Grid NTS would like it to be noted that MOD 401 could have an impact upon Gemini functionality due to the requirement to suppress (partially or fully) NTS Exit (Flat) Overrun charges at certain NTS/LDZ offtakes and capture the reasons for such adjustments for audit purposes. National Grid NTS intend to raise a ROM with Xoserve to better inform the User pays aspect of MOD 401 once the proposal is fully understood.

We have made some initial enquiries to Xoserve to gain an insight as to whether Gemini has (or has in scope) the functionality to adjust NTS Exit (Flat) Overrun charges. The initial indicative response from Xoserve surmises that Gemini does have the ability to suppress (partially or fully) NTS Exit (Flat) Overrun charges. The usefulness of this functionality is likely to be dependant on the timing of such adjustments. MOD 401 does not currently detail how or when such adjustments are to be made and tracked, hence it is necessary to clarify this aspect in order to fully inform the system requirements and therefore the User pays aspects of the proposal. National Grid NTS believe that it is inappropriate for MOD 401 not to be considered as a User pays proposal until such time that the system requirements are fully informed through the ROM process.

Relieve Admin burden

National Grid NTS agree with the proposer that there is merit in making the daily agreed pressure process more efficient but do not feel the proposal, to apply the daily agreed pressure process to a potential subset of NTS/LDZ offtakes, is the right approach at this point in time. National Grid NTS believe there are more pressing and fundamental issues currently being assessed and discussed regarding the agreed and assured pressure processes, which could significantly improve the agreed pressure process through resolution. For example, National Grid NTS are considering the introduction of seasonal (rather than flat) assured pressures that could result in the daily agreed pressure process being utilised by exception.

Defining the relationship between significant and non-significant offtakes

MOD 401 states:

“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.”

MOD 401 does not currently define the relationship between “significant” and “non-significant” offtakes. National Grid NTS believe that, for completeness and in order to provide clarity around the expectations of the pressures to be delivered, it is important to define this relationship through the annual process detailed within MOD 401.

Quantifying and communicating the impact of non delivery of an agreed / assured pressure

The proposal, as drafted, does not state how or when the relief from NTS Exit (Flat) Overruns, ramp rates, OPN notice periods and maximum permitted rates at an NTS/LDZ offtake is quantified, agreed and communicated. National Grid NTS believe these aspects are essential in order to minimise the impact upon the operation of the NTS.

Flow swaps

National Grid NTS agree with the proposer that *“The scope for breaches can be covered by the acceptance by NTS of the associated flow swap”*. Whilst we appreciate there is no guarantee that National Grid NTS will accept a flow swap request, we would only reject a flow swap request in accordance with OAD I 2.5.5:

“National Grid NTS shall comply with the DNO's request unless in National Grid NTS's reasonable opinion the safe and efficient operation of the NTS (consistent with National Grid NTS's obligations to Users under the Transportation Principal Document) would be materially prejudiced by the flow of gas at the relevant Offtakes on the basis of the requested revisions, in which case National Grid NTS shall:

(a) contact and inform the DNO of the position as soon as possible following receipt of the DNO's request; and

(b) cooperate with the DNO and use all reasonable endeavours to agree upon alternative revisions to Offtake Profile Notices”.

Where National Grid NTS is unable to comply with the DNO's request we will always endeavour to agree upon alternatives and would expect the aforementioned UNC provisions (NTS Exit (Flat) Overruns, ramp rates, OPN notice periods and maximum permitted rates) to remain in force at all NTS/LDZ offtakes where a flow swap has not been agreed, so as not to materially prejudice the safe and efficient operation of the NTS. MOD 401 as drafted may be to the detriment of the safe and efficient operation of the NTS while providing relief from the aforementioned UNC provisions at NTS/LDZ offtakes.

National Grid NTS would welcome within MOD 401 further detail and perspective as to why the proposer believes relief from the aforementioned UNC provisions is required outside of the flow swap arrangements.

In summary, we believe there are aspects of the proposal that are unclear and that these aspects are fully developed and understood as part of the MOD 401 workgroup development. Additionally National Grid NTS are concerned that the proposal seeks to relieve DN Users from certain UNC provisions where it is not appropriate to do so. National Grid NTS welcome further discussion on the aspects detailed within this representation at the forthcoming workgroups.

Yours sincerely,

Mike Wassell.