

Stage 01: Proposal

0401S:

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

This Proposal 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.



The Proposer recommends that this self-governance modification should proceed to consultation.



High Impact:
Insert name(s) of impact



Medium Impact:
Insert name(s) of impact



Low Impact:
This proposal has some impact on NTS and the DNOs.

What stage is this document in the process?

- 01 Proposal
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

0401S

Modification

02 February 2012

Version 3.0

Page 1 of 14

© 2012 all rights reserved

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 Recommendation

About this document:

This document is a proposal, which will be presented by the Proposer to the Panel on 15 September 2011. The Panel will consider the Proposer's recommendation, and agree whether this self-governance modification should proceed to consultation or be referred to a Workgroup for assessment.



3 **Any questions?**

5 Contact:

Joint Office



7 enquiries@gasgovernance.co.uk

8



11 **0121 623 2115**

12 Proposer:
Alison Chamberlain



13 alison.chamberlain@uk.ngrid.com

14



01926 653994

Transporter:
**National Grid
Distribution**



...@...



01926 653000

xoserve:
n/a



commercial.enquiries@xoserve.com

0401S

Modification

02 February 2012

Version 3.0

Page 2 of 14

© 2012 all rights reserved

1 Summary

Is this a Self-Governance Modification

National Grid Distribution (NGD) believes that this Proposal is a candidate for self governance since implementation would be unlikely to have a material effect on either:

existing or future gas consumers; or

competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; or

the operation of one or more pipe-line system(s); or

matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; or

the uniform network code governance procedures or the network code modification procedures;

NGD also believes implementation would not discriminate between different classes of parties to the uniform network code/relevant gas transporters, gas shippers or DN operators.

Consequently, NGD requests that this Proposal is treated as a Self Governance Modification Proposal.

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. This Modification Proposal is aimed at amending the relevant UNC provisions associated with existing annual and daily processes.

Currently the process for agreeing pressures annually and daily does not recognise that some Offtakes are more "significant" than others. This Proposal would look to address this fact and in doing so seek to implement measures which reduce some of the administrative burden associated with the current practices.

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 disappplies itself when instead it is the obligations to make payment in respect of non-compliant gas which are disappplied in the circumstances described in paragraph TPD J 3.4.7.

0401S

Modificat

02 Febru

Version 3

Page 3 o

© 2012

alison.l.jennings 2/2/12 14:09

Deleted: 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.

Impacts & Costs

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

Implementation

In line with the Self Governance rules implementation could be 16 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 Objectives:-

A11.1

- 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; &

(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.

Recommendations

This Proposal has been developed as part of the Section I Review Group 0316. The proposer invites the UNC Modification Panel to recommend that this Proposal proceed to consultation.

0401S

Modification

02 February 2012

Version 3.0

Page 4 of 14

© 2012 all rights reserved

2 Why Change?

The existing rules are prescriptive in respect of pressure requests and amendments and the requirements within which all parties must operate. NGD believes 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. This Modification Proposal is aimed at revising the annual and daily process and making provisions for operational requirements e.g. maintenance where these operations affect certain Offtakes.

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. This Proposal would look to address this fact and in doing so reduce some of the administrative burden associated with the current practices.

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 Proposal 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.

0401S

Modification

02 February 2012

Version 3.0

Page 5 of 14

© 2012 all rights reserved

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 provisions for 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.

alison.l.jennings 2/2/12 08:52

Deleted: If the DNO is the party requesting the revision (i.e. a variation from the Assured Pressure) then it can reasonably be expected to undertake whatever actions are required to ensure that it does not breach the provisions of the UNC. Where NTS is the party requesting the revision and where the DNO has accommodated a request, NTS can reasonably be expected to give consideration to the actions which may be required by the DNO and to facilitate these actions.

0401S

Modification

02 February 2012

Version 3.0

Page 6 of 14

© 2012 all rights reserved

4 Relevant Objectives

Implementation is expected to better facilitate the achievement of **Relevant Objectives a, 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. | 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. | Yes |
| 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 Objectives:-

A11.1

- 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; &
- (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.

0401S

Modification

02 February 2012

Version 3.0

Page 7 of 14

© 2012 all rights reserved

5 Impacts and Costs

Consideration of Wider Industry Impacts

None identified.

Costs

Include here any proposal for the apportionment of implementation costs amongst parties.

| 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. |
| 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 |

0401S

Modification

02 February 2012

Version 3.0

Page 8 of 14

© 2012 all rights reserved



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 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 Proposal 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 | |
|----------------|---|
| 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. |

0401S

Modification

02 February 2012

Version 3.0

Page 9 of 14

© 2012 all rights reserved

| 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 Proposal, 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 |

0401S

Modification

02 February 2012

Version 3.0

Page 10 of 14

© 2012 all rights reserved

6 Implementation

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

0401S

Modification

02 February 2012

Version 3.0

Page 11 of 14

© 2012 all rights reserved

7 The Case for Change

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

Advantages

Provides recognition that in the pressure planning and implementation process some Offtakes are more significant than others.

Facilitates a reduction in the current administrative burden associated with pressure management and enforcement.

Provides more certainty for both parties with regard to dealing with revised pressures and aids contractual compliance.

Disadvantages

None identified.

0401S

Modification

02 February 2012

Version 3.0

Page 12 of 14

© 2012 all rights reserved

8 Legal Text

Legal Text

Suggested legal text is published alongside this proposal on the Joint Office web site at:
<http://www.gasgovernance.co.uk/0401>.

0401S

Modification

02 February 2012

Version 3.0

Page 13 of 14

© 2012 all rights reserved

9 Recommendation

The Proposer invites the Panel to:

DETERMINE that Modification 0401S progress to Consultation.

0401S

Modification

02 February 2012

Version 3.0

Page 14 of 14

© 2012 all rights reserved