

Stage 04: Final Modification Report

0411S:

Removal of the Obligation to Publish Firm Gas Monitor from the UNC

At what stage is this document in the process?

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

There is an obligation on National Grid Gas to publish Firm Gas Monitor each year. This modification proposes to remove this obligation.



Panel determined that 0411S be implemented



High Impact: None



Medium Impact: National Grid Gas Transmission



Low Impact: Shippers, Suppliers, Storage Operators

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About this document:

This document is a Final Modification Report, presented to the Panel on 21 June 2012.

The Panel considered the views presented and decided this self-governance change should be made.



3 **Any questions?**

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1 Summary

Is this a Self-Governance Modification?

The Panel determined that this is a Self-Governance Modification.

Why Change?

National Grid NTS publishes Firm Gas Monitor information annually prior to the start of winter. The published figure is the required percentage of storage space to meet all firm demand for a demand curve based on a forecast 1-in-50 winter. If the Firm Gas Monitor is breached, i.e. the quantity of gas in storage is below the level required to meet all firm demand in a forecast 1-in-50 winter, National Grid NTS notifies Users that the Firm Gas Monitor has been breached.

With the implementation of Modification 0090, 'Revised DN Interruption Arrangements', and Modification 0195AV, 'Introduction of Enduring NTS Exit Capacity', additional demand is being designated as firm. There is therefore a risk that the Firm Gas Monitor for winter 2012/13 will be set at greater than 100% of storage capacity, resulting in an immediate and continued breach. There is no clear value in continuing to publish the Firm Gas Monitor, and potential for confusion and concern if a breach is published when no market response is required or expected.

Solution

Remove the requirement to calculate and publish the Firm Gas Monitor and any requirement to notify Users of any subsequent breach.

Impacts and Costs

There are no direct costs expected as part of the removal of the requirement to calculate, publish and monitor the Firm Gas Monitor information.

The removal of the information could have some impact if any market participants use the information. No material use has been identified and hence its removal is not expected to have a detrimental impact.

Implementation

The preferred implementation date is no later than 30 September 2012, thereby removing the obligation to publish the final Firm Gas Monitor for the 2012/13 winter period.

As this is a Self-Governance Modification, implementation could be 16 business days after a Modification Panel decision to implement.

The Case for Change

Removing an obligation to calculate and publish information that has no identified value, but has the potential to create confusion and concern when a breach is notified, is consistent with efficient implementation and administration of the UNC.

2 Why Change?

The UNC outlines the requirements for National Grid NTS to publish Firm Gas Monitor information. This information is published annually prior to the start of winter.

The Firm Gas Monitor aims to provide the industry with information on the quantity of gas required to be held in storage to meet all firm demand for a demand curve based on a forecast 1-in-50 winter. The monitor uses a number of assumptions on the level of Non Storage Supplies (NSS) such as LNG and interconnector flows. The published figure is the required percentage of storage space for the calculated quantity.

If the Firm Gas Monitor is breached, ie the quantity of gas in storage is below the level required to meet all firm demand in a forecast 1-in-50 winter, then National Grid NTS is obliged under the UNC to notify Users that the Firm Gas Monitor has been breached.

One of the key assumptions in the calculation of the annual Firm Gas Monitor quantity is the level of firm demand forecast for a 1-in-50 winter. With the implementation of Modification 0090 – Revised DN Interruption Arrangements on 01 October 2011, a higher level of DN connected demand has been classified as having firm capacity. This additional 'Firm' demand is included in the assumption of the level of demand that is currently included in the Firm Gas Monitor calculation for winter 2011/12.

With the implementation of Modification 0195AV – Introduction of Enduring NTS Exit Capacity, there is the expectation that additional demand will be deemed as having firm capacity, and so, additional firm demand will be included in the Firm Gas Monitor demand calculation.

The published Firm Gas Monitor requirement for winter 2010/11 was 32% of storage space. Post implementation of Modification 0090, the requirement for winter 2011/12 is 94%. This rise in the calculated figure is not a direct result of a change in supplies or a reduction in the level of security provided, but is the direct result of specific demand moving from non-firm to firm capacity as a result of Modification 0090.

There was a strong potential that the Firm Gas Monitor would be breached in winter 2011/12 as storage stocks are withdrawn on high demand days, resulting in the level of storage falling below the calculated level, currently set at 94%. With the introduction of Modification 0195AV, there is a risk that the Firm Gas Monitor for winter 2012/13 will be set at greater than 100% of storage capacity resulting in an immediate and continued breach.

Therefore, with the change in designation of demand to firm under Modifications 0090 and 0195AV, it is timely to review the requirement to publish the Firm Gas Monitor. No party has identified a material value in continuing to publish the Firm Gas Monitor, and there is potential for confusion and concern if a breach is published but no market response is required or expected.

3 Solution

It is proposed to remove the requirement to calculate and publish the Firm Gas Monitor and any requirement to notify Users of any subsequent breach.

For the avoidance of doubt, the requirement to publish the Safety Monitor, and act upon any Safety Monitor breach will remain within the Code.



Safety Monitor

It is a requirement of National Grid's Safety Case to operate the Safety Monitor and take action to ensure that storage stocks (space) do not fall below the defined level.

The concept behind the Safety Monitor is to provide sufficient gas in storage to support those gas consumers whose premises cannot be physically and verifiably isolated from the gas network within a reasonable time period.

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
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.	None
c) Efficient discharge of the licensee's obligations.	None
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.	None
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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
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.	None

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

Removing the obligation to publish the Firm Gas Monitor is expected to have no adverse impact on market participants, and has the ability to avoid confusion when no market response is expected when there is a breach. Coupled with the subsequent reduction in resources to produce the information, implementation would facilitate efficiency in the implementation and administration of the Code.

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5 Impacts and Costs

Consideration of Wider Industry Impacts

It is not believed that the removal of the Firm Gas Monitor will have an impact on any wider industry developments.

Costs

Indicative industry costs – User Pays	
Classification of the modification as User Pays or not and justification for classification	
No systems changes are required to implement the modification. No User Pays service is proposed or amended. This is not, therefore, a User Pays modification.	
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"> Removal of process to publish Firm Gas Monitor
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

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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 Transporters	
Area of Transporters' business	Potential impact
System operation	• None
Development, capital and operating costs	• None
Recovery of costs	• None
Price regulation	• None
Contractual risks	• None
Legislative, regulatory and contractual obligations and relationships	• None
Standards of service	• None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	• None
UNC Committees	• None
General administration	• None

Impact on Code	
Code section	Potential impact
Section Q5 – Safety and Firm Gas Monitor	• Revision required

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

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Impact on UNC Related Documents and Other Referenced Documents	
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

As this is a Self-Governance Modification, implementation could be 16 business days after a Modification Panel decision to implement.

The UNC requires National Grid NTS to publish Firm Gas Monitor information prior to the start of the winter. Therefore, to provide full benefit from the removal of the obligation to publish the Firm Gas Monitor information, implementation prior to the requirement to publish would be preferred. Alternatively if an implementation prior to the start of winter cannot be achieved, implementation prior to December would also be desirable in order to reduce the likelihood of National Grid NTS notifying Users of a possible breach of the Firm Gas Monitor.

7 The Case for Change

Nothing in addition to that identified above.

8 Legal Text

Text

TPD Section Q

Amend the heading of paragraph 5 to read as follows:

5 **SAFETY MONITOR ~~AND FIRM GAS MONITOR~~**

Amend paragraph 5.1 to read as follows:

5.1 Introduction

5.1.1 For the purposes of paragraph 5:

- (a) ~~"Annual Firm Severe Demand" means that element of the 1-in-50 Severe Annual Demand which is attributable to all Firm Supply Points;~~
- (a)(b) **"Annual NDM/Priority Severe Demand"** means the element of the 1-in-50 Severe Annual Demand which is attributable to those Supply Points identified in the National Grid Safety Case as being 'protected by monitor';
- (c) ~~"Firm Gas Monitor" means, for each day of the Winter Period and all Storage Facility Types, the Stored Firm Gas Requirement allocated in aggregate to all Storage Facility Types by National Grid NTS;~~
- (d) ~~"Peak Firm Demand" means the peak day demand at Firm Supply Points;~~
- (b)(e) **"Peak NDM/Priority Demand"** means the peak day demand at those Supply Points identified in the National Grid Safety Case as being 'protected by monitor';
- (c)(f) **"Safety Monitor"** means, for each day of the Winter Period and all Storage Facility Types, the Stored Safety Gas Requirement allocated in aggregate to all Storage Facility Types in accordance with the principles set out in the National Grid Safety Case, together with an amount of gas for all Storage Facility Types to permit the safe shutdown of those Supply Points not identified in the National Grid Safety Case as being 'protected by monitor';
- (d)(g) **"Storage Facility Type"** means one of the types (as determined by National Grid NTS from time to time and notified to Users pursuant to paragraph 5.2.1(d)(f)) of Storage Facility or (where the context requires) all Storage Facilities of such a type;
- (h) ~~"Storage Firm Deliverability Requirement" means the amount by which the Peak Firm Demand exceeds the maximum daily supply;~~
- (e)(i) **"Storage Safety Deliverability Requirement"** means the amount

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by which the Peak NDM/Priority Severe Demand exceeds the maximum daily supply;

- (j) ~~"Stored Firm Gas Requirement"~~ means the amount (in kWh) by which the Annual Firm Severe Demand exceeds the maximum daily supply;
- (f)(k) **"Stored Safety Gas Requirement"** means the amount (in kWh) by which the Annual NDM/Priority Demand exceeds the level of demand equal to the maximum daily supply; and
- (g)(l) **"National Grid Safety Case"** means the safety case (in accordance with Regulation 2(5)) of National Grid NTS acting in its capacity as a gas transporter in relation to the NTS.

Amend paragraph 5.2.1 to read as follows:

5.2.1 National Grid NTS will by 31 May in each Gas Year, notify Users of preliminary details of the following in respect of the coming Winter Period:

- (a) Stored Safety Gas Requirement;
- (b) Storage Safety Deliverability Requirement;
- ~~(c) Stored Firm Gas Requirement;~~
- ~~(d) Storage Firm Deliverability Requirement;~~
- (c)(e) maximum daily supply; and
- (d)(f) the number and designation of Storage Facility Types, together with the classification criteria used in the determination of those Storage Facility Types and (where the classification criteria has changed from that used in respect of the previous Winter Period) details of any change to such classification criteria.

Amend paragraph 5.2.2 to read as follows:

5.2.2 National Grid NTS will, by 31 May in each Gas Year, determine whether the available Storage Space and/or Storage Deliverability is in aggregate less than the quantities detailed in paragraph 5.2.1(a) to ~~(b)(d)~~ and shall notify Users of any shortfall and the extent thereof. In this event, the Safety Monitor ~~and the Firm Gas Monitor~~ notified pursuant to paragraph 5.2.3 will reflect the available Storage Space and/or Storage Deliverability.

Amend paragraph 5.2.3 to read as follows:

5.2.3 National Grid NTS will, by 1 October in each Gas Year, notify Users of final details of the items stated in paragraph 5.2.1 along with the Safety Monitor ~~and the Firm Gas Monitor~~ for each day of the coming Winter Period.

Amend paragraph 5.2.5 to read as follows:

5.2.5 National Grid NTS will throughout the Winter Period keep under review the information previously notified pursuant to paragraphs 5.2.1, 5.2.2 and/or 5.2.3, together with any information available to National Grid NTS in respect of its estimates of expected deliveries to or offtakes from the Total System, and may:

- (a) reduce a Safety Monitor ~~and/or a Firm Gas Monitor~~ to reflect longer-term demand forecasts (for example, during the later Days of the

- Winter Period);
- (b) adjust a Safety Monitor ~~and/or a Firm Gas Monitor~~ to reflect the occurrence of severe weather; and
 - (c) increase or reduce (as the case may be) a Safety Monitor ~~and/or a Firm Gas Monitor~~ to reflect any material change in National Grid NTS's estimates of expected deliveries to or offtakes from the Total System.

Amend paragraph 5.2.8 to read as follows:

- 5.2.8 National Grid NTS shall notify all Users of potential or actual breaches of **either** a Safety Monitor ~~or a Firm Gas Monitor~~ as a result of:
- (a) insufficient bookings of Storage Space and/or Storage Deliverability as notified to National Grid NTS by the relevant Storage Operator(s);
 - (b) anticipated shortfall of gas-in-storage based upon current stock levels and the injection and withdrawal information notified to National Grid NTS by the relevant Storage Operator(s);
 - (c) Renominations or other relevant within day information.

Amend the heading of paragraph 5.4 to read as follows:

5.4 Actions to Prevent **Safety Monitor Breaches**

Amend paragraph 5.4.1 to read as follows:

- 5.4.1 Other than notifying Users in accordance with paragraph 5.2.8, and subject to taking such steps as it is required to take under the National Grid Safety Case, National Grid NTS will not take any specific action as a consequence of identifying a potential or actual breach of a Safety Monitor ~~or a Firm Gas Monitor~~.

9 Consultation Responses

Representations were received from the following parties:

Respondent	
Company/Organisation Name	Support Implementation or not?
British Gas Trading Ltd	Support
E.ON	Support
National Grid NTS	Support
RWE Npower plc/RWE Supply & Trading GmbH	Support
Scotland & Southern Gas Networks	Support
ScottishPower	Support

The six representations received unanimously supported implementation.

Summary Comments

Noting that the reasons given for withdrawing the obligation to publish this figure is that it would exceed 100% - and thereby give rise to an immediate breach – from the outset, British Gas commented that it does beg the question: *Were new storage to be built, or were firm demand to fall to a point where a Firm Gas Monitor figure was less than 100%, would an obligation to publish this figure be worth re-introducing?*

10 Panel Discussions

The Panel chair summarised that this modification seeks to remove the obligation on National Grid NTS to publish the Firm Gas Monitor. With the changes introduced by Exit Reform in October 2012, firm load on the system will be increased and it is expected that the monitor would be immediately and continually breached. However, no action would be expected as a result of that breach, which could therefore be regarded as potentially misleading in that it may inappropriately suggest that there is a security of supply problem. During the assessment and consultation process, no party has indicated that they use the Firm Gas Monitor information and that a detriment would arise from its non-availability.

Removing the obligation to publish the Firm Gas Monitor is, therefore, expected to have no adverse impact on market participants, and has the ability to avoid confusion when no market response is expected when there is a breach. Coupled with the subsequent reduction in resources to produce the information, implementation would facilitate efficiency in the implementation and administration of the Code.

Panel members then voted and unanimously determined that Self-Governance Modification 0411S should be implemented.

11 Recommendation

Panel Recommendation

Having considered the 0411S Modification Report, the Panel determines:

- that proposed self-governance Modification 0411S should be made.