

Stage 01: Proposal

0411:

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

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



The Proposer recommends that this modification should proceed to a workgroup



High Impact:
None



Medium Impact:
National Grid Gas Transmission



Low Impact:
Shippers; suppliers; storage operators

What stage is this document in the process?



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3 **Any questions?**

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About this document:

This document is a proposal, which will be presented by the Proposer to the Panel on 19 January 2012. The Panel will consider the Proposer's recommendation, and agree whether this modification should proceed to consultation or be referred to a Workgroup for assessment.

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1 Summary

Is this a Self-Governance Modification

This modification does not fulfil the self-governance requirements and therefore should not be considered a self-governance modification.

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 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, 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 UNC modification 090 – 'Revised DN Interruption Arrangements' on 1 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 UNC modification 195AV – '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 need to be included into the Firm Gas Monitor demand calculation.

We believe that there is a strong potential that the Firm Gas Monitor will be breached some time this winter as storage stocks are withdrawn on high demand days, resulting in the level of storage falling below the calculated level, currently set at 94%. In addition, we believe that with the introduction of Mod 195AV, 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 090 and 195AV, we believe that it is timely to review the requirement to publish the Firm Gas Monitor. We believe that there is limited 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.

Solution

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

Impacts & 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.



Mod 090 & 195AV

For more information on Mod 090 and Mod 195AV, go to the Joir Office web site.

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The removal of the information could have some impact on market participants who use the information to develop their market strategies. Prior to the submission of this proposal, National Grid NTS discussed the potential removal of the Firm Gas Monitor with a number of market participants. The majority of market participants, who expressed a view, suggested that there was little or no market value in the Firm Gas Monitor and therefore, its removal is not expected to have a detrimental effect on the market.

Implementation

The preferred implementation date is no later than 30 September 2012, removing the need to publish the final Firm Gas Monitor for the 2012 / 13 winter period. The proposal could be implemented 10 business days after a decision to implement has been made.

The Case for Change

When the Firm Gas Monitor is breached, i.e. the gas held in storage falls below the calculated level, National Grid NTS is obliged to notify the market that there is a breach. National Grid NTS does not take any direct action if the Firm Gas Monitor has been breached.

The published Firm Gas Monitor requirement for winter 2010/11 was 32% of storage space. Post implementation of UNC modification 090, the requirement for winter 2011/12 is 94%. This rise in the calculated figure is not as 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 090. The increase in requirement, and the increased potential of a breach resulted in National Grid NTS questioning the market value in the publication of the Firm Gas Monitor and how such information was used by the market.

Following discussions with market participants, we do not believe that the market would take action in response to a breach of the Firm Gas Monitor. Therefore, we believe there is limited value in the calculation and publication of the Firm Gas Monitor, and there is potential for confusion and concern if a breach is published but no market response is expected.

Recommendations

We recommend that the modification proceed to workgroup.

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.

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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 UNC modification 090 – Revised DN Interruption Arrangements on 1 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 UNC modification 195AV – 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 need to be included into the Firm Gas Monitor demand calculation.

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Therefore, with the change in designation of demand to firm under modifications 090 and 195AV, we believe that it is timely to review the requirement to publish the Firm Gas Monitor. We believe that there is limited 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.

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4 Relevant Objectives

Implementation is expected to better facilitate the achievement of Relevant Objective B and C.

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.	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.	Improved information
c) Efficient discharge of the licensee's obligations.	Improved efficiency
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	None
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

d) 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.

Positive impact identified. Removal of the requirement to publish the Firm Gas Monitor and any breach in the Firm Gas Monitor will ensure that there are no conflicting signals being provided to the industry i.e. by publishing the breach, the System Operator is not directly expecting the industry to respond to such a signal, the breach being provided for information only.

c) Efficient discharge of the licensee's obligations

Positive impact identified. National Grid NTS has identified a process within the Code that, if removed, will have little or no impact on market participants. With the subsequent reduction in resources to produce the information, this improves efficiencies within National Grid NTS processes.

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5 Impacts and Costs

Consideration of Wider Industry Impacts

National Grid NTS do not believe that the removal of the Firm Gas Monitor will have a detrimental impact on the market. Market participants have indicated that the removal of the Firm Gas Monitor information will have a little or no impact on them.

Costs

Indicative industry costs – User Pays	
Classification of the proposal as User Pays or not and justification for classification	
The modification will not be considered as user pays as the main benefits from removal are associated with the Transporter.	
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 anticipated
Operational Processes	<ul style="list-style-type: none"> Amend process to remove requirement to publish Firm Gas Monitor
User Pays implications	<ul style="list-style-type: none"> None anticipated

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> To be identified
Development, capital and operating costs	<ul style="list-style-type: none"> None anticipated
Contractual risks	<ul style="list-style-type: none"> None anticipated

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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:
www.gasgovernance.co.uk/sites/default/files/0565.zip

Impact on Users	
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">• None anticipated

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none">• If implemented, the revised process will help streamline current processes
Development, capital and operating costs	<ul style="list-style-type: none">• None anticipated
Recovery of costs	<ul style="list-style-type: none">• None anticipated
Price regulation	<ul style="list-style-type: none">• None anticipated
Contractual risks	<ul style="list-style-type: none">• None anticipated
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">• None anticipated
Standards of service	<ul style="list-style-type: none">• None anticipated

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

Impact on Code	
Code section	Potential impact
Section Q5 – Safety and Firm Gas Monitor	<ul style="list-style-type: none">• Revision required
	<ul style="list-style-type: none">•

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none">• None anticipated
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	<ul style="list-style-type: none">• None anticipated
Storage Connection Agreement (TPD R1.3.1)	<ul style="list-style-type: none">• None anticipated

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Impact on UNC Related Documents and Other Referenced Documents	
UK Link Manual (TPD U1.4)	<ul style="list-style-type: none"> None anticipated
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> None anticipated
Network Code Validation Rules (TPD V12)	<ul style="list-style-type: none"> None anticipated
ECQ Methodology (TPD V12)	<ul style="list-style-type: none"> None anticipated
Measurement Error Notification Guidelines (TPD V12)	<ul style="list-style-type: none"> None anticipated
Energy Balancing Credit Rules (TPD X2.1)	<ul style="list-style-type: none"> None anticipated
Uniform Network Code Standards of Service (Various)	<ul style="list-style-type: none"> None anticipated

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	<ul style="list-style-type: none"> None anticipated
Gas Transporter Licence	<ul style="list-style-type: none"> None anticipated

Other Impacts	
Item impacted	Potential impact
Security of Supply	<ul style="list-style-type: none"> None anticipated
Operation of the Total System	<ul style="list-style-type: none"> None anticipated
Industry fragmentation	<ul style="list-style-type: none"> None anticipated
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none"> None anticipated

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6 Implementation

The Code 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 preferable in order to reduce the likelihood of National Grid notifying Users of a possible breach of the Firm Gas Monitor.

In accordance with the Modification Rules, the proposed timescale for implementation is therefore as follows;

1. A Proposed Authority Decision Date of 17th August 2012 to enable a Fixed Implementation Date of 30 September 2012.
2. A Proposed Authority Decision Date of 16th November 2012 to enable a Fixed Implementation Date of 30 November 2012
3. If the above dates cannot be achieved, the Backstop Lead Time is 10 business days after a decision from Ofgem as there are no developments required to implement the proposal.

7 The Case for Change

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

Advantages

None

Disadvantages

None

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8 Legal Text

To be provided

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9 Recommendation

The Proposer invites the Panel to:

- DETERMINE that Modification 0411 progress to Workgroup

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