

Modification proposal:	<b>Uniform Network Code (UNC) 412: Changes to the Stages of Emergency Resulting from Changes Introduced by Exit Reform (UNC412)</b>		
Decision:	The Authority <sup>1</sup> directs that this proposal be made <sup>2</sup>		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	22 August 2012	Implementation Date:	To be confirmed by the Joint Office

## Background to the modification proposal

A Gas Supply Emergency (“emergency”) occurs where the transporter’s ability to maintain safe pressures within the system is affected or threatened by disruption to deliveries to the system or damage to the system. The Network Emergency Co-ordinator (NEC) is part of National Grid Gas Transmission (NGG) – although independent from the commercial concerns of NGG. The NEC has responsibility for the management of an emergency. The actions to be taken by gas transporters in the event of an emergency are set out in the NEC safety case<sup>3</sup>. These actions are grouped into stages, and these stages are also described in Transportation Principal Document (TPD) section Q of the UNC.

The Authority approved UNC195AV on 19 January 2009<sup>4</sup>. The approval created two phases for release of NTS Exit Capacity: the transitional exit period for capacity reserved or allocated to users commencing no later than 30 September 2012; and the enduring exit period in respect of capacity reserved or allocated commencing no earlier than 1 October 2012. The transitional period will shortly conclude, and the enduring exit reform will thereafter introduce new arrangements for taking gas off the National Transmission System (NTS) as of 1 October 2012. The enduring exit regime will remove the concept of Interruptible NTS Supply Points<sup>5</sup>, and introduce a provision for the sale of “off-peak” exit capacity. This will change the nature of actions taken by transporters in an emergency as fewer supply points will be defined as Interruptible Supply Points<sup>6</sup>. Whilst NGG will sell “off-peak” exit capacity, it is expected that this will likely have been scaled back ahead of an emergency. It will not necessarily be available as an option for the NEC to manage an emergency. As a result, the NEC safety case has been reviewed.

The proposed changes to the NEC safety case will reduce the number of stages of an emergency from five to four. The current stages 2 and 3 will be merged, and current stages 4 and 5 renumbered. These changes to the NEC safety case have been approved by the Health and Safety Executive (HSE). They will come into effect on 1 October 2012, alongside the implementation of enduring exit reform.

<sup>1</sup> The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

<sup>3</sup> The Gas Safety (Management) Regulations 1996 set out the requirement for each transporter of gas to publish a safety case which must be approved by the Health and Safety Executive.

<sup>4</sup> <http://www.ofgem.gov.uk/Licensing/GasCodes/UNC/Mods/Documents1/UNC195AVD.pdf>

<sup>5</sup> These are supply points which, prior to the implementation of the enduring exit regime, hold interruptible transmission capacity with NGG. NGG could instruct the interruption of gas supplies at these points in the case of a capacity constraint or in the early stages of an emergency.

<sup>6</sup> Interruptible Supply Points are supply points where the customer agrees with a transporter to be interruptible for capacity reasons. This is distinct from any commercial interruptible contracts that shippers/suppliers may agree with their customers.

## The modification proposal

UNC TPD section Q currently describes five stages of emergency, and the associated steps that the NEC could take in an emergency:

- Stage 1: Emergency Interruption of Interruptible Supply Points, maximum use of line-pack flexibility, utilisation of Distribution Network (DN) storage and emergency specification gas, and public appeal to reduce demand.
- Stage 2: Instruction to shippers to maximise deliveries to the system and suspension of National Grid NTS taking Market Balancing Actions on the On-the-day Commodity Market (OCM).
- Stage 3: Shedding of firm demand.
- Stage 4: Direct allocation of gas supply by National Grid NTS to each Distribution Network.
- Stage 5: Return to normal operation.

Changes to the NEC safety case, outlined above, are due to come into effect on 1 October 2012. This will mean that the current drafting of the UNC will no longer be aligned with the stages as described in the NEC safety case. NGG raised UNC412 to ensure that TPD section Q of the UNC is aligned with the impending changes to the safety case.

UNC412 also proposes some minor, non-material housekeeping changes to TPD section Q to correct pre-existing errors. We do not consider these changes to be material to our decision on the proposal.

The proposer considers that UNC412 better facilitates the achievement of relevant objective (f) – promotion of efficiency in the implementation and administration of the UNC. The modification will not affect the steps taken in practice, as it is the changes to the NEC safety case which have this effect and which have already been approved by the HSE. However, the proposer considers that ensuring the UNC and NEC safety case are aligned provides increased clarity on the actions to be taken in an emergency.

## UNC Panel<sup>7</sup> recommendation

At the UNC panel meeting held on 19 July 2012, nine votes were cast in favour of implementing UNC412, with one abstention. Therefore the panel recommended implementation of UNC412.

## The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 19 July 2012. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposal which are attached to the FMR<sup>8</sup>. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC<sup>9</sup>; and

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<sup>7</sup> The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

<sup>8</sup> UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at [www.gasgovernance.com](http://www.gasgovernance.com).

<sup>9</sup> As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see:

2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties<sup>10</sup>.

### **Reasons for the Authority's decision**

The Joint Office received six representations on the proposal. All six respondents were in favour of implementing the proposal.

We note that the proposer, respondents and the UNC panel focused on the potential impacts of UNC412 on relevant objective (f). Some respondents also considered the modification to have a positive impact on relevant objectives (a) and (c). We also consider the proposal should be assessed against relevant objective (b) and have therefore assessed these proposals against relevant objectives (a), (b), (c) and (f). We consider that the impact on the other relevant objectives is neutral.

#### *Objective (a) – Efficient and economic operation of the pipe-line system*

Panel members (and two respondents) considered that aligning the UNC with changes to the NEC safety case would make expectations in an emergency clearer. This could reduce the likelihood of the NEC and/or system operator (SO) needing to intervene to ensure an emergency is appropriately managed. This would enhance the efficiency of operating the system in an emergency.

We consider that aligning the UNC with changes to the NEC safety case will ensure that industry participants are clear on the stages of emergency that will apply. This could reduce the likelihood of confusion and allow industry to respond more effectively in an emergency, so reducing the likelihood of the SO having to intervene. As a result, it better facilitates the efficient and economic operation of the system.

#### *Objective (b) – Coordinated, efficient and economic operation of the combined pipeline system and/or the pipeline system of one or more other relevant gas transporters*

During discussions in workgroups, DNs noted that exit reform has removed the concept of Interruptible NTS Supply Points. This means that the reference to Interruptible Supply Points in the NEC safety case and UNC is now limited to DN-connected sites. DNs were of the view that the purpose of Interruptible DN Supply Points is to resolve local constraints on the distribution network, and so questioned whether they should be first to be curtailed in a national emergency. It was clarified that UNC412 did not propose any change to the treatment of Interruptible DN Supply Points.

The scope of UNC 412 is to amend TPD Section Q to ensure consistency with the changes to the NEC safety case. Any changes to the treatment of Interruptible DN Supply Points in an emergency would require further changes to the NEC safety case, and potentially a subsequent UNC modification. As UNC412 does not propose to change the treatment of Interruptible DN Supply Points, we consider the effect on relevant objective (b) is neutral.

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<http://epr.ofgem.gov.uk/Pages/EPRIInformation.aspx?doc=http%3a%2f%2fepr.ofgem.gov.uk%2fEPRIFiles%2fStandard+Special+Condition+PART+A+-+Consolidated+-+Current+Version.pdf>

<sup>10</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

*Objective (c) – Efficient discharge of the licensee’s obligations*

Two respondents thought that ensuring the UNC is aligned with the NEC safety case would better facilitate the efficient discharge of the licensee’s obligations. This is because the UNC would continue to accurately reflect the NEC safety case. This is consistent with the licensee’s obligations to prepare the UNC setting out the terms of common transportation arrangements.

Through Standard Special Condition A11 of the Gas Transporter licence NGG is obliged to prepare the UNC to reflect common transportation arrangements. The impending changes to the NEC safety case will alter the actions to be taken by gas transporters in the event of an emergency. As a result, this modification proposal aims to amend the UNC to ensure it reflects the changes to the stages of emergency as described in the NEC safety case. This better facilitates the efficient discharge of the licensee’s obligations by ensuring that, following the NEC safety case change, the UNC more accurately reflects the terms of the common transportation arrangements.

*Objective (f) – Promotion of efficiency in the implementation and administration of the Code*

UNC 412 will not affect the actions taken by the NEC in an emergency. However, the modification ensures that that UNC is aligned with the actions that would be taken under the changes to the NEC safety case. The proposer and panel consider that this would better facilitate efficiency in the implementation and administration of the UNC by ensuring clarity in relation to the actions to be taken in an emergency.

We agree that the proposal promotes efficiency in the implementation and administration of the UNC. The modification would not change the actions taken in an emergency as the changes to the NEC safety case already have that effect. However, ensuring that the UNC is aligned with the safety case improves transparency and certainty and reduces the risk of misinterpretation and confusion occurring in an emergency. We consider that this better facilitates the promotion of efficiency in the implementation and administration of the UNC.

We are also satisfied that the modification is consistent with the Authority’s principal objective and wider statutory duties.

**Decision notice**

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority hereby directs that modification proposal UNC 412: ‘Changes to the Stages of Emergency Resulting from Changes Introduced by Exit Reform’ be made.

**Emma Kelso**  
**Associate Partner, Wholesale Markets**

Signed on behalf of the Authority and authorised for that purpose.