

Modification proposal:	Uniform Network Code (UNC) 420: New Connections Interruptible Loads		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	25 October 2012	Implementation Date:	To be confirmed by the Joint Office

Background to the modification proposal

Interruptible capacity is used by the Gas Distribution Networks (GDNs) as a system management tool which helps them to manage their obligations under the Gas Transporters licence Standard Special Condition (SSC) A9: Pipe-Line System Security Standards. It allows the GDNs to economically and efficiently meet the gas transportation needs of customers connected to their pipeline.

When a GDN receives a connection application, analysis is carried out to ensure that the security of the network can be maintained once the new supply has been connected. In some cases, at certain times (such as at times of peak demand), the infrastructure may be unable to support the additional new load without network reinforcement. In these circumstances, a GDN can, in some cases, provide an interruptible contract where it can interrupt supply at certain times and in return the customer pays lower charges.

The current UNC rules allow GDNs to issue a tender inviting applications from customers with established firm loads greater than 5,860,000kWh per annum to have an interruptible contract. The rules do not currently give GDNs the flexibility to offer an interruptible supply to new sites, which are expected to have loads greater than 5,860,000kWh. As a result, end users/shippers are experiencing delays in being able to have their new supply connected because the GDN may need to carry out network reinforcement work in order to connect the new site and provide a firm capacity. This modification would allow new connections with loads greater than 5,860,000kWh the option of having a temporary interruptible gas supply until firm capacity becomes available.

The modification proposal

UNC modification proposal 420 (UNC420) will allow the GDN to offer a temporary interruptible supply contract to new sites which will have annual loads greater than 5,680,000kWh.

This modification proposal refers only to new sites and does not include sites already registered. It would also exclude connections made to the gas National Transmission System (NTS) and is not aimed at emergency interruptions resulting from supply or system constraints on the NTS.

The modification proposal also states that:

- All interruptible loads will be required to be daily metered for the entire period of the interruptible contract. The site must be registered with a shipper at the contract start date as daily metered with Daily Metered Supply Points (DMSP) equipment.
- The shipper entering into a temporary interruptible contract with the GDN

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

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

for their new gas supply does so at a zero option and zero exercise price (in effect this means that they pay full transportation charges).

- The GDN will stipulate the capacity at the new supply point that may be interrupted prior to the end user/shipper entering into the contract.
- The contract period may start and end at any point in time but it is anticipated that this will be closely linked to the period of time that the reinforcement works are expected to take to complete, to ensure that the temporary interruptible contract does not run for any greater period of time than is necessary.
- The GDN will agree with the customer a period of time that the interruptible contract will run for. If the GDN is able to complete reinforcement work at any point before the contract is due to end, the temporary interruptible contract will be removed and replaced with a firm contract. (The customer will be made aware that this may happen before entering into a temporary interruptible contract.)
- The GDN will stipulate to the end user/shipper the number of days in a gas year that the new supply point could be interrupted.
- Sites that are entering into a temporary interruptible contract will be subject to the existing UNC interruptible rules. If a shipper fails to interrupt then the current failure to interrupt charges will apply.³
- GDNs may also use the period in which the temporary interruptible contract has been agreed to deliver the firm capacity by initiating an ad hoc interruption tender. If an ad hoc interruption tender is initiated those end users/shippers who have a firm contract and are eligible for an interruptible contract will have the opportunity to enter into an agreement for an interruptible contract. This process will also include the new end user/shipper as they will then be registered on the system and be eligible to nominate and tender for a full interruption contract should they wish to do so.
- End users/shippers who wish to have an increase in their load are able to have an interruptible load through the existing interruptible supply application process that is already in place.

Following a new connection request from an end user/shipper with an annual demand greater than 5,860,000kWh that has been identified as requiring major reinforcement, the GDN will explain the temporary interruptible process to the end user/shipper and offer them the option of initiating this process.

UNC Panel⁴ recommendation

At its meeting on 20 September 2012, the UNC Modification Panel (the Panel) unanimously voted to recommend that UNC420 be implemented.

The Authority's decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 20 September 2012. We have considered and taken into

³ Details on interruption are set out in Section 6 of the UNC Transportation principal document section G – supply points.

⁴ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules

account the responses to the Joint Office's consultation on the modification proposal which are attached to the FMR.⁵ We have concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC⁶; and
2. directing that the modification be made is consistent with our principal objective and statutory duties.⁷

Reasons for the Authority's decision

We note that of the nine responses to the Joint Office consultation on this proposal, seven fully supported its implementation. Two respondents offered qualified support. Of these, one respondent supported the aspirations behind the modification but was concerned that the modification only provided the new interruptible product to new connections. They would like to see this product available on a non discriminatory basis to any customer who requires reinforcement works. The second respondent noted that concerns had been raised as to the treatment of existing customers in a similar situation which the modification did not address.

We note that the Panel considered whether there was potential for the modification to be regarded as unduly discriminatory since the service would be available only to new connections and not to existing customers wishing to expand their load. The Panel's view is that as existing loads can take part in the interruptible tender process and so effectively access a similar service, they do not believe this modification proposal to be unduly discriminatory.

We do not believe this modification will be unduly discriminatory to existing customers as the temporary interruptible contract that is offered to new sites will be in place only until reinforcement works have been completed to allow for a firm supply. Once reinforcement works have been completed the new site will be switched to a firm supply. If a GDN subsequently issues a tender for a longer term interruptible supply contract, a new site will have the opportunity to apply for it, in the same way as existing sites in the same area.

We have assessed the modification against the relevant objectives of the UNC which are set out in SSC A11 (1) of the Gas Transporters Licence. We consider that this modification has a positive impact on relevant objectives (a) and (b) (as set out below) while its impact on the other objectives is neutral.

1. *(a) the efficient and economic operation of the pipe-line system to which this licence relates;*

The modification facilitates more efficient and economic use of the network as it allows the GDN to connect and provide a service to a new site with a large load while it carries out reinforcement work to accommodate the additional load.

2. *(b) so far as is consistent with sub-paragraph (a), the 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.*

This modification facilitates this objective as it allows early network connection (when desired by the customer) and it will increase utilisation of the system more quickly than

⁵ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com

⁶ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: <http://epr.ofgem.gov.uk/Pages/EPRInformation.aspx?doc=http%3a%2f%2fepr.ofgem.gov.uk%2fEPRFiles%2fStandard+Special+Condition+PART+A+-+Consolidated+-+Current+Version.pdf>

⁷The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

would be the case if the customer had to wait for network reinforcement to be completed before they were able to connect.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority hereby directs that modification proposal UNC420 'New Connections Interruptible Loads' be made.

Andrew Burgess

Associate Partner, Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose