Stage 04: Final Modification Report

At what stage is this document in the process?

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

0420:

New Connections Interruptible loads

This modification proposes to allow New Connections the option to have a temporary interruptible gas supply on a DNO network while the DNO either goes out to the market place to agree a permanent interruptible contract, or uses the period of time that the temporary interruptible contract is in place to reinforce its network which subsequently allows the new connection to be made in a timely manner.

Panel recommended implementation

High Impact:

Medium Impact:
Distribution Networks

Low Impact:

Contents

About this document:

This document is a Final Modification Report, presented to the Panel on 20 September 2012. The Authority will consider the Panel's Recommendation and decide whether or not this change should be made.

Any questions?

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1 Summary

Is this a Self-Governance Modification

The Modification Panel determined that this is not a self-governance modification.

Why Change?

The current governance for interruptible supplies only allows established firm loads greater than 5,860,000kWh per annum to become interruptible. Allowing end users/shippers who want a new supply with an annual quantity greater than 5,860,000kWh the opportunity, where the need arises, to have a temporary interruptible supply will remove barriers and delays that may otherwise prevent new supplies being connected. This was included in the business rules for the original UNC Modification 0090 but was never implemented in the legal text.

Solution

This modification aims to allow new sites that are potentially going to have a new gas supply the opportunity to apply for an interruptible supply from a DNO's system providing the new connection is going to have an Annual Quantity >5,860,000kWh. This modification excludes connections made onto the NTS and is not aimed at emergency interruption resulting from supply or system constraints on the NTS.

Impacts and Costs

No negative impacts have been identified in relation to the implementation of this modification and there are no identified costs associated with implementation.

Implementation

Implementation could take place as soon as an Authority decision is received.

The Case for Change

The current governance in the UNC doesn't give DNOs the flexibility to allow new connections an interruptible supply if they have an AQ > 5,860,000kWh. As a result end users / shippers are experiencing delays in being able to have their new supply connected which may result in them looking for alternative energy sources which will impact the growth of DNOs' networks, the wider gas industry and potentially UK Plc.

2 Why Change?

When a DNO receives an enquiry for a new supply network analysis is carried out to ensure the security of the network can be maintained once the new supply has been connected to the DNO's infrastructure. In a number of instances SGN has found that the infrastructure is unable to support the new load in times of 1 in 20 send out on the network, however the network maybe able to maintain the supply in times of e.g. 85% Peak Day Demand which would mean that there would be an opportunity to offer a Interruptible contract

This modification is proposing to amend the UNC so that it allows end users/shippers who wish to have a new supply point the facility to connect as an interruptible customer this will allow them to benefit from the interruptible sites process. This change would allow end users/shippers to have their new supplies without the inconvenience of having to wait for reinforcement gas mains to be laid (depending on the network requirements for specific and general reinforcement), which may in some instances, depending on the size of the reinforcement project, take a number of years to complete. The Workgroup considers that using the interruptible process would be a welcome alternative to end users/shippers having to wait for investment to be completed and would ultimately benefit customers and their businesses. Due to the benefits that this modification will bring to end users/shippers who want a new supply to be connected, we are proposing that the interruption contract will not have any monetary benefits attached to it. By proposing a zero charge we will not be discriminating against existing end users/shippers who haven't been offered an interruptible contract due to the tender process being bypassed to speed up the process.

MOD0090

The business rules in Modification 0090 included a section that was developed to address Greenfield sites and new supply points (5.1.2 New Supply Points (Greenfield Sites)) however this was never implemented into the UNC code as the legal text omitted this section of the business rules.

Mod 0090

What is Mod 0090? Mod 0090 allows DNOs to determine the quantity of interruption they require on their networks and allows users more flexibility to request their interruption terms.

http://www.gasgovernance.co.uk/0090

3 Solution

Following a new connection request from an end user/shipper that has been identified as requiring major reinforcement, the DNO will explain to the end user/shipper the temporary interruptible process so that they have the option of initiating this process providing that their annual demand is >5,860,000kWh (UNC G 6.1.2.j)

1. This modification refers only to new sites and does not include sites already registered.
2. 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 as daily metered with DMSP equipment at the contract start date.
3. The shipper entering into a temporary interruption contract with the DNO for their new gas supply do so at a zero option and zero exercise price.
4. The DNO will stipulate the capacity at the new supply point that may be interrupted prior to the end user / shipper entering into the contract.
5. The DNO will agree a period of time that the interruptible contract will run for.
6. 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 doesn't run for any greater period of time than is necessary.
7. The DNO will stipulate to the end user /shipper the number of days in a gas year the new supply point could be interrupted.
8. If a shipper fails to interrupt then the current failure to interrupt charges will apply.
9. Sites that are entering into a temporary interruptible contract will be subject to the existing UNC interruptible rules.
10. DNO's 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 eligible to nominate and tender for a full interruption contract should they wish to do so.
11. The temporary interruptible contract may be removed at any time.
12. This modification does not include sites that already have a gas supply that are wishing to have an increase in their load. End users/shippers who want to have an increase in their load are able to have an interruptible load through the existing adhoc interruptible processes that are already in place.
13. This modification excludes connections made onto the NTS and is not aimed at emergency interruption resulting from supply or system constraints on the NTS

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.	Positive
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.	Positive
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	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

Maintaining the current UNC obligations on interruptible sites in its current state imposes unnecessary costs on DNOs and delays for new gas connections so by amending the UNC to allow new connections interruptible loads will better facilitate relevant objectives a and b by allowing the early utilisation of network capacity.

5 Impacts and Costs

Consideration of Wider Industry Impacts

No wider industry impacts anticipated.

Costs

No costs have been identified or are anticipated in relation to this modification.

Indicative industry costs – User Pays
Classification of the modification 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	None
Operational Processes	Yes - minor change to the existing process.
User Pays implications	None

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	Yes - minor change to the existing process.
Development, capital and operating costs	None
Contractual risks	No extension of risk to the existing process.
Legislative, regulatory and contractual obligations and relationships	No additional impacts.

Impact on Transporters

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	Yes
Development, capital and operating costs	None
Recovery of costs	None
Price regulation	None
Contractual risks	Yes – there is a short term marginal increase in risk should a site fail to interrupt during the term of the agreement.
Legislative, regulatory and contractual obligations and relationships	No additional risk
Standards of service	No additional risk

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
	TPD Section G

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

Impact on UNC Related Documents and Other Referenced Documents	
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	• None
Industry fragmentation	• None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	• None

6 Implementation

No suggested implementation timescales are proposed. This modification could be implemented as soon as possible following an Authority decision.

7 The Case for Change

Nothing in addition to that identified above.

8 Legal Text

Draft Text

Draft Legal Text has been provided as a separate document published alongside the Draft Modification Report.

9 Consultation Responses

Representations were received from the following parties:

Company/Organisation Name	Support Implementation or not?
British Gas	Support
Fulcrum	Support
Gazprom	Qualified Support
National Grid Distribution	Support
National Grid NTS	Support
Northern Gas Networks	Support
RWE npower	Support
Scotia Gas Networks	Support
Wales & West Utilities	Qualified Support

Of the nine representations received seven supported implementation, and two offered qualified support.

Summary Comments

Gazprom support the aspirations behind the modification but are concerned that the modification only provides 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.

Scotia Gas Networks believe this modification will address a current imbalance. They believe new gas connections could currently be seen to be discriminated against under the current UNC arrangements as there is no flexibility to allow any gas to be offtaken from the network even if the network is able to satisfy the demand in the majority of instances. However, users who already have a connection wishing to have an increase in their load are able to enter into the interruptible tender process if there isn't sufficient capacity on the network in times of peak demand.

Wales & West Utilities offered qualified support for the modification and its intent, noting that concerns have been raised as to the treatment of existing customers in a 'like' situation which the modification does not address.

10 Panel Discussions

The Panel Chair summarised that the modification addresses the situation where a new Daily Metered customer wishes to connect to a distribution network, but firm capacity cannot be made available in the desired timescale. The modification would allow connection on an interruptible basis until firm capacity is available.

Members noted that allowing earlier network connection (when desired by the customer) would increase utilisation of the system and so could be regarded as facilitating economic and efficient operation of the pipeline system. In addition, the expansion of the market for gas, through an additional load being available for supply, could be regarded as consistent with facilitating competition among Shippers.

Members discussed 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. However, it was recognised that existing loads could take part in the interruptible tender process and so effectively access the same service. It was not therefore, considered to be unduly discriminatory.

Members then voted unanimously to recommend implementation of Modification 0420.

11 Recommendation

Panel Recommendation

Having considered the 0420 Modification Report, the Panel recommends:

- that proposed Modification 0420 should be made.