

# 0420: New Connections Interruptible loads

At what stage is this document in the process?

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

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.



The Workgroup recommends that this modification is sufficiently developed to proceed to consultation



High Impact:



Medium Impact: Distribution Networks



Low Impact:

0420

Workgroup Report

10 July 2012

Version 1

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## About this document:

The purpose of this report is make a recommendation to the Panel, to be held on 16 August 2012, on whether Modification 0420 should proceed to consultation and to submit any further recommendations in respect of the assessment of this modification.



### 3 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.

## Recommendations

The Workgroup recommends that this modification should now proceed to consultation.

## 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.



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### **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.	Yes
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.	Yes
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	
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	<ul style="list-style-type: none"> <li>• None</li> </ul>
UNC Committees	<ul style="list-style-type: none"> <li>• None</li> </ul>
General administration	<ul style="list-style-type: none"> <li>• None</li> </ul>

Impact on Code	
Code section	Potential impact
	<ul style="list-style-type: none"> <li>• TPD Section G</li> </ul>
	<ul style="list-style-type: none"> <li>•</li> </ul>

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"> <li>• None</li> </ul>
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	<ul style="list-style-type: none"> <li>• None</li> </ul>
Storage Connection Agreement (TPD R1.3.1)	<ul style="list-style-type: none"> <li>• None</li> </ul>
UK Link Manual (TPD U1.4)	<ul style="list-style-type: none"> <li>• None</li> </ul>
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> <li>• None</li> </ul>



Impact on UNC Related Documents and Other Referenced Documents	
Network Code Validation Rules (TPD V12)	• None
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

None in addition to those identified above.

## 8 Legal Text

**Draft Text**

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The Workgroup has reviewed the draft text provided by Scotia Gas Networks.

**PROPOSED NEW PARAGRAPH G6.13 UNC TPD**

- 6.13 Temporary Interruptible Supply Point Capacity for New Supply Points
- 6.13.1 The DN Operator shall, if so required by the Proposing User, designate the Supply Point Capacity at an Eligible New Supply Point as Temporary Interruptible Supply Point Capacity, subject always to paragraph 6.13.3.
- 6.13.2 An "**Eligible New Supply Point**" is a New Supply Point (other than an Existing Supply Point, a NTS System Entry Point or a NTS Exit Point) in respect of which the Provisional Annual Quantity (as determined pursuant to paragraph 1.6.2(d)) is greater than 5,860,000 kWh (200,000 therms). [BR1] [BR12] [BR13]
- 6.13.3 If the Supply Point Capacity at any Eligible New Supply Point is designated by the DN Operator as "**Temporary Interruptible Supply Point Capacity**" the following conditions shall apply:
- (a) the Proposing User shall ensure that [Transporter /User] Daily Read Equipment is and remains (at all times throughout the period that Supply Point Capacity is designated as Temporary Interruptible Supply Point Capacity) connected to the Supply Meter Installation in relation to the Eligible New Supply Point; [BR2]
  - (b) following Supply Point Registration of the Supply Meter Points comprised within the Eligible New Supply Point, the DM Supply Point Capacity at the Eligible New Supply Point will be Interruptible;
  - (c) the Interruptible Tranche at the Eligible New Supply Point shall be such tranche (in kWh /Day) of DM Supply Point Capacity as the DN Operator shall stipulate and, in the absence of any express stipulation, shall be the whole of the DM Supply Point Capacity; [BR4]
  - (c) in relation to the Interruptible Tranche at the Eligible New Supply Point:
    - (i) the Interruption Option Price shall be zero; [BR3]
    - (ii) the Interruption Exercise Price shall be zero; [BR3]
    - (iii) the Overall Interruption Price shall be zero; [BR3]
    - (iv) the Interruption Allowance shall be such number of Days as the DN Operator shall stipulate; [BR7]
  - (d) the DM Supply Point Capacity at the Eligible New Supply Point shall continue to be Interruptible for such period as the DN Operator shall stipulate; provided always that the DN Operator shall be entitled (at its sole discretion and without any liability whatsoever to the Proposing User [or consumer]) to terminate the designation of such DM Supply Point Capacity as Temporary Interruptible Supply Point Capacity at any time prior to the stated expiry date, in which case the Maximum Supply Point Offtake Rate in respect of the Eligible New Supply Point shall, with effect from the time of such termination, be reduced to zero until such time as the Supply Point Capacity at the Eligible New Supply Point is subsequently designated as Interruptible or Firm pursuant to this paragraph 6; and [BR5] [BR6][BR11]
  - (e) the provisions of this paragraph 6 shall apply in relation to the Interruption of DM Supply Point Capacity at the Eligible New Supply Point, including (but without limitation) paragraph 6.10. [BR8 + BR9]
- 6.13.4 If at any time (being a time after both (a) the designation of the DM Supply Point Capacity at the Eligible New Supply Point as Temporary Interruptible Supply Point Capacity and (b) following Supply Point Registration of the Supply

Meter Points comprised within the Eligible New Supply Point) the DN Operator issues an Interruption Invitation (whether an annual Interruption Invitation or an ad hoc Interruption Invitation) and the Eligible New Supply Point is in the Interruption Zone in respect of which that Interruption Invitation is issued:

- (i) the Proposing User shall be entitled to submit an Interruption Offer pursuant to that Interruption Invitation; and
  - (ii) if the DN Operator accepts any such Interruption Offer, the DM Supply Point Capacity at the Eligible New Supply Point shall automatically forthwith cease to be Temporary Interruptible Supply Point Capacity.
- [BR10]

## 9 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.