

TRANSCO WORKSTREAM REPORT

"Introduction of a Within Day Exit Profiling Charge and an Exit Failure to Notify Charge"
Version 1.0

1. Background

Under Network Exit Agreement (NExA) provisions Users are required to provide Offtake Profile Notices (OPNs) to Transco that specify the instantaneous rates of offtake at the associated Exit Point, for each gas day. Transco rely on this information for system management purposes, with particular respect to predicting, monitoring and maintaining local pressures at specified levels. Inaccurate projection, by a User, of its intended flows could therefore risk the security of supply to other customers in the vicinity of the offtake, and ultimately could result in a national gas supply emergency.

NExAs also specify the Notice Periods that Users are required to give Transco of any change in the Offtake Rate. The Notice Periods were designed to achieve a balance between allowing Users sufficient flexibility to vary their offtake to meet their requirements, and the need to allow Transco sufficient time to enable it to take action to ensure that the change in offtake rate does not prejudice the safe operation of the system.

Transco raised Modification Proposal 0527 to introduce commercial incentives to promote behaviours consistent with NExA provisions and the accurate provision of offtake flow rates. At its January 2002 meeting, the Modification Panel referred the Modification Proposal to the Energy and Capacity Workstream for consideration. This report has been written to inform the Modification Panel of the discussions that have taken place to date and the Workstream recommendations.

Description of the Modification Proposal

The Proposal sought to introduce, for Users at large System Exit points where a NExA is in place and an Offtake Profile Notice (OPN) is required to be submitted, incentives to comply with terms contained in their NExA, and a charge where gas offtaken is different from that nominated via the OPNs.

The Proposal introduced two charges:

A Failure to Notify Charge, which was intended to place a strong incentive on Users to provide accurate information via the OPN, and to avoid changing their offtake rate without any notice, and thereby potentially putting at risk the safe and secure operation of the system, and

An Excess Profiling Charge, which was intended to incentivise Users to adhere to the Notice Periods specified in the NExA.

Workstream Discussion

Transco presented an overview of the Proposal at the Workstream on 31st January 2002, detailing the reasons for the Proposal, the proposed incentives, and the methodology for deriving the charges.

Existing Communications with Registered Users and End Users

Workstream participants questioned the need for such an incentive, and suggested that improved dialogue between Transco and end users might resolve many of the issues that had caused Transco to raise this Proposal. Transco informed the group that it frequently communicates with sites, on an “operator to operator” basis, during the gas day if they are deviating from the OPN notified rate, and also with Registered Users after the day where Transco identifies persistent breaches of the NExA provisions. Several Workstream participants were not aware of any such communications, and suggested that Transco may be contacting the “wrong” people. Transco maintained that although dialogue might provide a temporary improvement, the Proposal would introduce incentives that would result in a sustained improvement. However, Transco agreed that, notwithstanding the need to implement the Proposal, it would be beneficial for all interested parties to improve dialogue.

Interaction with Review Proposal 0513

Many Workstream participants considered that the issues raised in Modification Proposal 0527 should be considered as part of the Review Proposal 0513. Transco expressed the view that in order to allow the Review to properly consider all regime issues, potential solutions may have a long lead-time. Transco considered that the Review should not prevent the industry from introducing necessary short term changes to address identified concerns whilst longer term solutions are being debated within the Review process.

Existing Level of NExA Breaches

Transco explained that despite continued operator to operator communications with respect to NExA breaches, such breaches continue at comparable levels to those experienced last winter. The sole remedy for a breach of NExA contractual terms is site isolation. Transco therefore considered that incentives were required to encourage adherence to NExA provisions.

Many participants were unconvinced of the problem, and hence the need for the Proposal, without further understanding the materiality of individual breaches. Transco stated that whilst an individual breach might not be material, the co-incidental occurrence of a number of such breaches could lead to a localized problem. Transco added that the recent nature of the breaches had changed, in that a large proportion were now in relation to retrospective rather than shortened prospective notice being given of changes to offtake rate. Such ‘no-notice’ changes are a particular concern to Transco, as they put at risk the security of supply to other customers in the vicinity of the offtake.

Offtake Metering Issues

As the Failure to Notify Charge was proposed to be based on the actual hourly quantity offtaken at the Exit Point, participants raised the issue of the possibility of incorrect charges resulting from mis-allocation of energy from one hour to the next, due to a possible time delay in the flow being registered on the flow computer. Transco was of the opinion that any such mis-allocation would be less than 1% of the hourly measured quantity, and would therefore be covered by the 3% no-notice deviation allowed under current NExAs. However, Transco agreed that if it was proved that the potential error was much larger, then the Workstream could develop an appropriate level of tolerance to cover such error.

Interaction with CCGT Provision of Frequency Response Service to NGC

Users raised the issue of whether the Proposal allowed for the “compulsory” provision of Frequency Response (FR) to National Grid Company (NGC) by CCGTs. Transco considered that the current status of Network Code Section J 4.10 makes provision for the FR service. Transco explained that currently only 10 CCGT stations had an agreement with Transco to enable them to provide this service to NGC, and none of these sites had advised Transco that they had actually provided the service, as obliged under Network Code.

Due to a lack of clarity amongst the Workstream participants over the definition of the Frequency Response service, Transco took away an action to meet with NGC outside of the Workstream and report back to the workstream.

Following the workstream meeting Transco met with NGC representatives to discuss the FR service. NGC informed Transco that:

- Generators are obligated, under NETA to have the “capability” to provide the FR service to NGC.
- However, generators are not obligated to be available to provide the service on a day to day basis.
- The instruction to become ‘responsive’ is only issued, by NGC, to plant that is already part loaded, or is fully loaded but has submitted turn down bids into the Balancing Mechanism (BM) to enable NGC to part de-load the plant (generally a 10% turndown).
- Generators who do not want to provide the FR service will either be off completely, or operating at maximum output level with no turn down bids on the BM.
- NGC have powers to direct generators to provide FR, but have never had to resort to these powers, as they always have sufficient plant in a position to provide the service.

Under the Grid Code, the lead-time for such turndown bids and offers is restricted to a maximum of two minutes. It was also brought to Transco's attention that the lead time for any bid/offer in the Balancing Mechanism submitted by a generating set that is already, at least, part loaded is also restricted to a maximum lead time of two minutes. This new understanding of Grid Code obligations is considered by Transco to be in stark contrast with the provisions negotiated under the NExA contracts with the CCGTs and subsequently used by Transco in modeling the effects of these loads on Transco's system.

The primary issue is the notice periods required prior to a CCGT changing its offtake rate beyond the 3% tolerance allowed. Generally, the minimum notice period agreed for either an increase or decrease in output within the NExA contract is 1 hour. This minimum notice is at odds with the maximum notice, of two minutes lead-time, required for the majority of bids and offers into the Balancing Mechanism. Therefore, in order for a CCGT to be active in all parts of the Balancing Mechanism, it is required to put itself in breach of its negotiated NExA. This contract is an ancillary agreement to Code, and as such a breach of this contract is a breach of Network Code.

2. Workstream Recommendations

The majority view of the Workstream was that this subject required more debate and research before it could be considered ready for consultation. Additionally many felt that the Proposal was linked to issues that would need to be considered in respect of Review 0513.

The Workstream have therefore requested that the further development of the Proposal is undertaken in parallel with the Review Proposal 0513. This would imply that a report on the development of this proposal is tabled at the August 2002 Modification Panel.

However, Transco consider that it is appropriate for a refined Proposal to be developed and implemented as soon as possible to address the following:

- Better information to enable efficient System management.
- Sanctioning appropriate access to System flexibility.
- Providing commercial incentives to promote accurate and timely information on intended flow rates.