

Stage 01: Proposal

Amendments to Section I of the OAD to reflect Offtake Profile Notice rules and recognition of different offtake sensitivities

What stage is this document in the process?



This proposal has two central themes

- (i) Recognises that specific NTS/LDZ offtakes need separate rules from the vast majority of offtakes when determining flow tolerance levels
- (ii) Amends a small number of operational timeframes and inconsistencies to better reflect the working practices of NGG NTS and the GDNs



The Proposer recommends
This Modification Proposal should follow the self governance route on the basis that it meets the self-governance criteria set out in the Licence.



High Impact:
n/a



Medium Impact:
n/a



Low Impact:
National Grid Transmission & Distribution Network Operators.

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About this document:

This document is a proposal, which will be presented by the Proposer to the Panel on 19 May 2011. The Panel will consider the Proposer's recommendation, and agree whether this modification should proceed to consultation or be referred to a Workgroup for assessment.



3 **Any questions?**

5 Contact:

6 **Joint Office**



9 enquiries@gasgovernance.co.uk

10



13 **0121 623 2115**

14 Proposer:

15 **Insert name**



...@...



0000 000 000

Transporter:

Insert name



...@...



0000 000 000

xoserve:

Insert name



commercial.enquiries@xoserve.com



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1 Summary

The following paragraphs should be completed by the Proposer, be **brief** and in **plain English** using the standard styles for body text, bullets and numbered paragraphs as required.

Is this a Self Governance Modification

Why Change?

Wales & West Utilities (WWU) believe that this Proposal is a candidate for self governance since implementation would be unlikely to have a material effect on either:

existing or future gas consumers; or

competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; or

the operation of one or more pipe-line system(s); or

matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; or

the uniform network code governance procedures or the network code modification procedures;

We also believe implementation would not discriminate between different classes of parties to the uniform network code/relevant gas transporters, gas shippers or DN operators.

Consequently, we request that this Proposal is treated as a Self Governance Modification Proposal.

Why Change?

The proposed Offtake tolerance rules will enable all Transporters to target those offtakes where the requirement to remain with agreed flow profile tolerances has a greater potential impact on the whole systems operation.

The suggested timeframes and other revised legal text provide a series of agreed working practices that better support the required processes outlined in OAD Section I

Solution

The annual Offtake Capacity Statement (OCS) will list all NTS/LDZ offtakes categorised as either;

(a) Designated" offtakes for the purposes of OAD Section I

(b) Part designated offtakes will only be subject to some elements of section I,

(c) Non designated offtakes which will not be subject to the provisions in Section I

A number of other legal text changes are proposed;

- Lengthening the time for Transporters to provide revised OPNs where flow swaps between 2 offtakes are agreed between NTS and the GDNs
- Revising the rules so that both NGG NTS and GDNs can request / agree flow swaps provided that the LDZ aggregate rate of Offtake remains unchanged at LDZ level

Impacts & Costs



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Use this column in a Q and A style for explanations, in order to preserve the flow of the main text.

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Each Transporter may require changes to existing systems. The cost of any changes will be borne by the relevant Transporter.

Implementation

The Proposal has been well discussed and articulated, however it may be that Transporter(s) require a lead time to confirm they can fully comply with the proposal intent.

The Case for Change

The OAD currently sets out a series of clauses which were established pre Network sales in 2005, and which reflected some working practices and anticipated the requirements of all Transporters when establishing the tolerances by which OPNs should operate within.

These proposals reflect the evolving working practices which all Transporters acknowledge supersede those first captured in 2005.

WWU believe that this Proposal is consistent with the achievement of the following relevant objective:-

A11.1 (f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code. It would add clarity to the contractual terms by removing certain offtakes from tolerance measures where no such measure was required.

Similarly, the proposed changes will allow all transporters to warrant their compliance with this area of the OAD, and not seek to secure compliance by creating unnecessary workarounds or seeking to adhere to rules that do not benefit any party.

Recommendations

The Proposer recommends this modification should proceed to consultation, having been exhaustively assessed within the Offtake Arrangements Workgroup.

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2 Why Change?

Whilst the following sections allow a more detailed description of the modification the need to use **plain English** remains. You may wish to begin with definitions that are going to be used in the document. Only quote the code definition, itself, if it is in plain English. References to these definitions can be placed in the right hand column on this page.

Prevailing Offtake Tolerances

All NTS/LDZ offtakes are currently required to offtake gas within prescribed tolerances of the Prevailing Offtake Rate.

- ALL NTS/LDZ Offtakes Within 10% by offtake
- ALL LDZs Within 3% for all offtakes measured in aggregate in an LDZ.

NTS/LDZ offtakes have different operational characteristics and significance to the National Transmission System.

NTS/LDZ offtakes are either controlled to a set pressure or volume:

Pressure controlled offtakes operate to maintain a set pressure at the outlet of the NTS / LDZ Offtake to satisfy the GDNs variable (daily) capacity needs. The rate of offtake is therefore directly driven by the downstream demand (customer profile). Pressure controlled offtakes generally have a small capacity that is likely to be of less significance to the NTS.

Volumetric controlled offtakes operate to maintain a set flow (volume per hour) through the offtake irrespective of downstream demand. Fluctuations in demand are satisfied through DN storage, often linepack storage within the pipeline. Volumetric offtakes are likely to have high capacities and have more significant impact on the NTS.

By agreeing designated offtakes with NG NTS, GDNs can focus its efforts on predicting and managing flows through these sites.

The proposal does stipulate the specific sites proposed as designated. It is anticipated this list may alter over time with new offtakes etc, therefore this list will be kept under review by all Transporters.

Alignment of OPN revision request criteria

There is an anomaly in Section I (I 2.4.3 and I 2.5.3) which details arrangements for flow swaps requested by GDNs or NTS. Currently NGG NTS can request flow swaps provided that the aggregate OPN remains unchanged at LDZ level, whereas GDNs can only request flow swaps provided that the aggregate OPN remains unchanged within an NTS Exit Zone.



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3 Solution

Suggested Legal text

TPD Section B SYSTEM USE and CAPACITY

1.1 Offtake Capacity Statement

- 1.1.1 National Grid NTS will issue to each DNO User, not later than 30 September in each Gas Year, a statement ("**Offtake Capacity Statement**") specifying, for each DNO User, for each of the Gas Years (each a "**relevant**" Gas Year) Gas Year +1 to Gas Year +5 (inclusive), in relation to each NTS/LDZ Offtake an amount of NTS Exit (Flexibility) Capacity, **and will determine which offtakes are either (i) designated offtakes, (ii) part designated offtakes or (iii) non designated offtakes for the purposes of OAD Section I**
- 1.1.2 The Offtake Capacity Statement may be revised (as to any relevant Gas Year) in accordance with the further provisions of this paragraph 3.7.
- 1.1.3 The Offtake Capacity Statement issued in any Gas Year will, as respects each relevant Gas Year, contain the same details as were specified in the preceding year's statement for that Gas Year, subject to any revision pursuant to paragraph 3.7.5 and 3.7.10.
- 1.1.4 Subject to the further provisions of this paragraph 3.7 for each relevant Gas Year (or part thereof) a DNO User shall be registered as holding in respect of each relevant NTS/LDZ Offtake the amount of NTS Exit (Flexibility) Capacity specified in respect of such Gas Year (or part thereof) in the prevailing Offtake Capacity Statement.
- 1.1.5 A DNO User may apply:
- (a) to increase its NTS Exit (Flexibility) Capacity at a NTS/LDZ Offtake:
 - (i) in relation to any relevant Gas Year (year Y) or any relevant Gas Year after Year Y by submitting an application to National Grid NTS during the period 1 July to 31 July in Gas Year Y-1 (the "**Application Window**");
 - (ii) in relation to any relevant Gas Year(s) or the remaining part thereof, out with the Application Window, as a result of a request for new or additional capacity at a Supply Point, where the DNO User might otherwise be unable to comply with the relevant conditions of its Transporter's Licence, by submitting an application to National Grid NTS;
 - (iii) **to amend the offtake category proposed by NG NTS from designated or part designated offtake for the relevant Gas Year Y.**
 - (b) for an amount of NTS Exit (Flexibility) Capacity at an NTS/LDZ Offtake in relation to any relevant Gas Year (Y) (and the preceding Gas Year where the DNO User has not submitted an earlier application for an amount of NTS Exit (Flexibility) Capacity pursuant to this paragraph 3.7.5(b) in respect of such Gas Year) by submitting an application to National Grid NTS during the Application Window 1 July to 31 July in Gas Year Y-5.

subject to and in accordance with this paragraph 3.7.

- 1.1.6 An application for an amount of NTS Exit (Flexibility) Capacity or for an

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increase in NTS Exit (Flexibility) Capacity at an NTS/LDZ Offtake shall specify:

- (a) the identity of the DNO User;
- (b) the relevant NTS/LDZ Offtake;
- (c) the relevant Gas Year or Gas Years (or parts thereof) in respect of which the application is made;
- (d) the amount or increased amount of NTS Exit (Flexibility) Capacity applied for.

1.1.7 An application for a variation of offtake designation by a DNO shall specify: (a) the identity of the DNO User (b) the relevant NTS/LDZ Offtake (c) the offtake tolerance (MCM/day) viewed as appropriate for the relevant Gas Year (Y)

1.1.8 National Grid NTS may reject, or accept in part only, an application for an amount of or an increase in the NTS Exit (Flexibility) Capacity in respect of an NTS/LDZ Offtake where, or (as the case may be) to the extent that, National Grid NTS determines that it would not be feasible to make gas available for offtake at the NTS/LDZ Offtake on the basis of such amount or increased amount of NTS Exit (Flexibility) Capacity throughout the period for which the application is made.

1.1.9 National Grid NTS may reject, an application for a variation to an offtake designation in respect of an NTS/LDZ Offtake where, or (as the case may be) to the extent that, National Grid NTS determines that it would not be feasible to make gas available for offtake at the NTS/LDZ Offtake, on the basis of such offtake designation throughout the period for the Gas Year (Y)

1.1.10 In making any determination under paragraph 3.7.8 in relation to applications made within an Application Window, National Grid NTS will take into account all applications received by National Grid NTS within the Application Window from DNO Users for an amount of or an increase in NTS Exit (Flexibility) Capacity

1.1.11 National Grid NTS will in the case of an application under paragraph 3.7.5:

- (a) as soon as reasonably practicable thereafter notify DNO Users where they believe they are unlikely to be able to meet the application in full, or change of offtake designation, providing details of;
 - (i) the circumstances surrounding any restrictions; and
 - (ii) the maximum available capacity;
- (b) in the case of an application made under paragraph 3.7.5(a)(i) or (iii) or 3.7.5(b), no later than 15 September provide an indicative statement notifying the DNO User whether its application is accepted in whole or in part, or rejected, specifying the indicative amount of NTS Exit (Flexibility) Capacity for each NTS/LDZ Offtake and each Gas Year and maximum available NTS Exit (Flexibility) Capacity and the designation of each NTS/LDZ Offtake
- (c) a DNO User will then have an opportunity to seek clarification, reconsider and resubmit its application for NTS Exit (Flexibility) Capacity or NTS/LDZ Offtake designation within five (5) Business Days following notification from National Grid NTS under paragraph 3.7.9(b) above;
- (d) National Grid NTS will use reasonable endeavours to consider and where necessary discuss an application made under paragraph 3.7.9(c) with a DNO User with a view to agreeing by 30 September the Offtake Capacity Statement to be issued by such date in accordance with paragraph 3.7.1; and
- (e) in the case of an application made under paragraph 3.7.5(a)(ii)

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National Grid NTS must within fifteen (15) Business Days of such application provide a statement to the DNO User in accordance with paragraphs 3.7.1 to 3.7.4 (except with regard to date of 30 September). Such statement will for the purpose of paragraph 3.7.2 be deemed to be an Offtake Capacity Statement revision. It is understood that in determining whether capacity is available, National Grid NTS will take into account whether it would be likely to trigger the declaration of a Potential Network Gas Supply Emergency or actual Network Gas Supply Emergency. If this is likely to be the case it is understood that capacity would not be deemed available.

- 1.1.12 A DNO User may decrease the amount of its NTS Exit (Flexibility) Capacity at a NTS/LDZ Offtake in relation to any relevant Gas Year (Year Y) or any relevant Gas Year after Year Y by notifying such decrease to National Grid NTS during the Application Window in Gas Year Y-1, specifying:
- (a) the identity of the User;
 - (b) the relevant NTS/LDZ Offtake;
 - (c) the relevant Gas Year or Gas Years (or parts thereof) in respect of which notification is made;
 - (d) the decreased amount of NTS Exit (Flexibility) Capacity.
- 1.1.13 Where National Grid NTS accepts an application (in whole or part) for an amount of, or an increase in NTS Exit (Flexibility) Capacity, or where a DNO User decreases the amount of its NTS Exit (Flexibility) Capacity, **or where National Grid NTS accepted an Offtake designation variation request from a DNO User**, National Grid NTS will issue a revised Offtake Capacity Statement reflecting such amount, or such increase or decrease or **Offtake designation variation**.
- 1.1.14 The NTS Exit (Flexibility) Capacity held by a DNO User at an NTS/LDZ Offtake on a Day may also be increased as provided in Section J7.3, but the Offtake Capacity Statement will not be revised to reflect such increase.
- 1.1.15 The Ten Year Statement to be prepared and published by National Grid NTS in accordance with TPD Section O4 may include details of the amount of NTS Exit (Flexibility) Capacity held by DNO Users at NTS/LDZ Offtakes.
- 1.1.16 The provisions set out in this Section B3.7 should not be confused with the provisions set out in the UNC OAD Section H relating to NTS Long Term Demand Forecasting. Information provided by DNO Users under UNC OAD Section H2 should not be construed as an application for the purposes of this paragraph 3.7. Similarly information provided by National Grid NTS under OAD Section H to DNO Users should not be construed as an allocation for the purposes of paragraph 3.7.



4 Relevant Objectives

The Proposer believes that implementation will better facilitate the achievement of **Relevant Objectives a, b, c, d, e and f.**

Proposer's view of the benefits against the Code Relevant Objectives	
Description of 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.	
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.	
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.	
f) Promotion of efficiency in the implementation and administration of the Code	Yes

The following section should explain how each of the impacts identified above would arise and so further the objective identified.

Insert subheading here

Insert body copy here

- Insert Bullet here
- 1. Insert number paragraph here

Insert table heading here	
Insert table subheading here	Insert table subheading here
Insert body copy here	Insert body copy here

5 Impacts and Costs

Insert subheading here

Insert body copy here

- Insert Bullet here
- 1 Insert number paragraph here



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Insert text here

Insert table heading here

Insert table subheading here	Insert table subheading here
Insert body copy here	Insert body copy here
Insert body copy here	Insert body copy here

Costs

Include here any proposal for the apportionment of implementation costs amongst parties.

Indicative industry costs – User Pays

Classification of the proposal 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

All costs will be borne by the relevant Transporter

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

Impacts

Impact on Transporters' Systems and Process

Transporters' System/Process	Potential impact
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UK Link	• none
Operational Processes	• low
User Pays implications	• none



Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:
<http://www.gasgovernance.com/networkcodearchive/551-575/>

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	• none
Development, capital and operating costs	• none
Contractual risks	• none
Legislative, regulatory and contractual obligations and relationships	• none

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	• medium
Development, capital and operating costs	• low
Recovery of costs	• none
Price regulation	• none
Contractual risks	• low
Legislative, regulatory and contractual obligations and relationships	• low
Standards of service	• low

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 B	medium
OAD Section I	high

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)	high
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

Include here, as far as is known, the schedule for implementation including any assumptions made. Also consider any critical dependencies such as latest decision dates for scheduling into a release programme.

Insert subheading here

Insert body copy here

- Insert Bullet here
- 1 Insert number paragraph here



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Question 1

Insert question here

Insert answer here

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7 The Case for Change

This section allows further development of the case than is included in the earlier summaries

In addition to that identified the above, the Proposer has identified the following:

Advantages

Insert subheading here

Insert body copy here

- Insert Bullet here
- 1. Insert number paragraph here

Disadvantages

Insert subheading here

Insert body copy here

- Insert Bullet here
- 1. Insert number paragraph here



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8 Recommendation



The Proposer invites the Panel to:

- DETERMINE that Modification XXXX progress to [Workgroup/Consultation]

Insert heading here

[Insert relevant text or delete box]

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