

Modification Report
Provision of Information to Support Development of the NTS Investment Programme
Modification Reference Number 0038

Version 3.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 9.6.

1. The Modification Proposal

The Proposal was as follows:

“It is proposed to extend the provisions of the Uniform Network Code (UNC) to facilitate the exchange of NTS/LDZ offtake data on a five-year rolling basis between Transco NTS and DNO Users. In particular that:-

- DNO Users provide to Transco NTS on an annual basis detailed flow forecasts for each of its NTS/LDZ offtakes for each Gas Year commencing at the start of the following Gas Year Y up to and including Gas Year Y+5. Such information would contain the DNO User’s indication of its capacity requirements in the form of the volume flow rate (in MCM/day), peak rate” (in MCM/hour) "and the Offtake Flexibility Quantity (in MCM/day) at the following demand levels:
 - 1-in-20 peak day demand
 - Day 13 of the severe load duration curve
 - Day 46 of the average load duration curve
 - Day 150 of the average load duration curve
 - Day 300 of the average load duration curve

This would indicate the anticipated distribution of offtake flow requirements across the NTS/LDZ offtakes in an LDZ together with an indication of expected ‘NTS diurnal offtake’; and

- Transco NTS provides to DNO Users (in response to the DNO User’s detailed flow forecasts) its forecast of the availability of NTS Offtake (Flat) Capacity, NTS Offtake (Flexibility) Capacity and Assured Offtake Pressure in respect of each of its NTS/LDZ offtakes for each Gas Year commencing at the start of the following Gas Year Y up to and including Gas Year Y+5 where the DNO User has not already been allocated capacity entitlements at the NTS/LDZ offtake for any such year.

Similar information was exchanged within the integrated Transco organisation prior to implementation of the Uniform Network Code (referred to as “PS3” statements) to inform the formulation of the 5-year NTS and LDZ investment programmes.

To allow timely development of the NTS investment programme, the detailed flow forecast statements would need to be provided by each DNO User to Transco NTS by 31 July in each Gas Year. On a transitional basis for 2005 only, it is proposed that this information is provided by 15 September 2005 (or the day immediately following the implementation date in the event that the implementation date is beyond 14 September 2005). In light of the compressed timescales that will be necessary this year, it is

proposed that the information to be provided to Transco NTS will be in respect of the 1 in 20 peak day demand level only.

Transco NTS would then provide DNO Users with the forecast NTS Offtake Capacity and pressure information by 30 September each year. On a transitional basis for 2005 only, it is proposed that this information is provided by 15 October 2005 (or the 1 month following the implementation date in the event that the implementation date is beyond 14 September 2005).

Transco NTS considers that similar flow forecast information in respect of all NTS direct connects (i.e. NTS supply points, NTS CSEPs, and Interconnectors) is beneficial to support the formulation of the 5-year NTS investment programme. Under the UNC, Shipper Users are required to provide this information for Gas Years Y, Y+1, and Y+2 only. To improve consistency with the proposed detailed flow forecast statements for NTS/LDZ offtakes, it is proposed that indicative flow information in respect of Gas Years Y+3 and Y+4 is provided by Shipper Users to Transco NTS on a voluntary basis. In recognition of the fact that direct connects are only supplied through single offtakes, the information to be provided would be limited to peak flow conditions only.

This Proposal should be implemented in the timescales identified so that Transporters would have the enhanced level of information that was available prior to separation of transportation and distribution to assist making the most efficient and economic investment decisions and ensure compliance with their respective Safety Cases.”

2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives

The Proposer considered that “this Proposal would, if implemented, better facilitate the following Relevant Objective(s) as set out in its Gas Transporters Licence:” and referred to the following parts of the licence:

- in respect of Standard Special Condition A11 paragraph 1(a), the Proposal would provide Transco NTS with enhanced NTS demand forecast information to improve its investment decisions which would have the consequential effect of better facilitating the efficient and economic operation of the NTS pipeline system.
- in respect of Standard Special Condition A11 paragraph 1(b), the Proposal would provide all transporters with enhanced forecast information to improve their investment decisions which would have the consequential effect of better facilitating the coordinated efficient and economic operation of the combined pipeline system and the pipeline system of one or more other relevant gas transporters; and
- in respect of Standard Special Condition A11 paragraph 1(c) (the efficient discharge of the licensee’s obligations under this licence), the Proposal would also promote the economic and efficient development and operation of the system which might be expected to facilitate the relevant objective of compliance with Licence obligations.

The Distribution Workstream also noted that:

- in respect of Standard Special A11 paragraph 1(d) in relation to securing effective

competition the implementation of the Proposal might be expected to facilitate competition between Relevant Shippers and between Relevant Suppliers.

All respondents expressed the view that implementation of this Proposal would better facilitate the Relevant Objectives.

3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

The Proposer considered that “implementation of this Proposal would benefit security of supply by ensuring Transporters receive forecast offtake information to support undertaking investment decisions to be made in a timely manner and ensure sufficient transportation capability is available to meet the peak demand.”

The provision of anticipated NTS offtake requirements up to five years ahead would also support the development of appropriate investment plans which might promote more efficient operation of the system in subsequent years.

The responses to the consultation provide no evidence of dissent from the above. All but one response indicated that implementation of this Proposal would support economic and efficient operation of the system; the other response stated its support because “the proposal seeks to assist the transporters in making the most efficient and economic investment decisions” (NGT UKD).

4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including

a) implications for operation of the System:

This Proposal, if implemented, would provide advance indications of demand for NTS offtake capability so encouraging the appropriate sizing of the system. Such sizing might be expected to promote the economic and efficient operation of the system.

This view was supported by respondents (eg the proposal “supports the development of appropriate investment plans which might promote more efficient operation of the pipeline system in subsequent years” (NGN)).

b) development and capital cost and operating cost implications:

The Proposer believed that “this Proposal, if implemented, would facilitate the efficient and economic formulation of each Transporter’s 5 year investment programmes, thereby allowing investments to be undertaken in a more cost effective and efficient manner.”

Respondents stated that implementation of this Proposal would facilitate the DNs in taking economic and efficient investment decisions regarding how to meet peak demands on their systems.

The Proposer’s view was that the implementation and ongoing costs arising from increased information sharing would be minimal.

c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

The Proposer did not believe “this Proposal, if implemented, requires it to recover any additional costs.”

d) analysis of the consequences (if any) this proposal would have on price regulation:

The Proposer did not believe “this Proposal, if implemented, would have any consequences on price regulation.”

5. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

The Proposer considered that “implementation of this Proposal would have no effect on the level of contractual risk of each Transporter.”

6. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

The Proposer did not “envisage any impact on the UK Link System if this Proposal were to be implemented.”

7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

This Proposal, if implemented, would require some additional administrative effort with regard to the provision of information for DNO Users. However, the efforts and costs associated with this were anticipated by the Proposer to be very small and hence the benefits to Users were anticipated to exceed the costs. Specifically, the provision of additional information by Shipper Users in respect of NTS direct connects would be voluntary. However, the Proposer noted that the provision of such information by Shipper Users might also generate longer term benefits if provided. Such provision should promote economic and efficient system development and operation which should deliver benefits for Shippers in the form of transportation charges at economic and efficient levels, having due regard to the most appropriate estimates of demand.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

No such implications have been stated by the Proposer, or identified by the Distribution Workstream. Views on any such implications were sought via this consultation but no comments were received.

9. Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

No such consequences have been identified.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

The Proposer believed that implementation of this Proposal would:

- codify “the exchange of information between Transporters on an NTS/LDZ offtake specific basis that was available within the integrated Transco organisation prior to separation of transportation and distribution, thus facilitating the efficient and economic formulation of each Transporter’s 5 year investment programme”; and
- afford “the opportunity to Shipper Users at NTS direct connects to participate in the forecast demand process to assist the efficient and economic development of the NTS.”

All respondents supported at least one of the above. No expression of dissent from either of the above views was contained in any response.

Disadvantages

- No disadvantages have been identified. Specifically, the Distribution Workstream was unaware of any disadvantages provided the provision of information by directly connected loads was to be voluntary.

11. Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Responses were received from:

Organisation	Abbreviation
Scottish & Southern Energy plc	SSE
Northern Gas Networks Ltd	NGN
Association of Electricity Producers	AEP
Chemical Industries Association Limited	CIA

National Grid – UKT	NG UKT
National Grid – UKD	NG UKD
Scotia Gas Networks	SGN

All respondents expressed support for implementation of the Proposal.

CV planning information

Several respondents (NGN, NG – UKD, SGN) commented about the availability and accuracy of CV information that might be used to inform DNO User determination of flow forecasts.

The SME understands that DNs require estimates of CV to inform their internal planning processes and hence the determination of the flow forecasts that are the subject of this Proposal. Additionally, the SME understands that Transco NTS requires estimates of CV to support its investment planning processes. Therefore the interests of all Transporters should be aligned to ensure the development of processes to deliver high quality estimates of anticipated CVs. Such an approach is likely to be consistent with the Transporters’ Gas Act obligations in respect of economic and efficient development of the system and compliance with the subsidiary Licence obligations associated with economic, efficient and coordinated operation of relevant systems.

The SME therefore concludes that the processes for CV determination, communication and use within Transporter’s business processes is a matter that the Transporters may well wish to further discuss with a view to either confirm current practices or to consider the most appropriate alternative way forward.

The determination of anticipated CV at any point on the system is likely to depend upon the complex interactions of gas input deliveries and gas offtakes from the system, particularly as they relate to the pattern of gas flows through the system. The SME understands that current assessment of CVs to support flow forecasting is based upon assessment of likely flow patterns arising under peak conditions. Looking forward in anticipation of deliveries into the system at higher variance from the average CV on the system (which might arise, for example, from LNG deliveries and from relaxation of entry specifications to encourage maximal depletion of UKCS resources) it may be appropriate to consider whether CV consideration under alternative demand scenarios might be appropriate. It may well be that the impacts of uncertainties associated with CVs are very small when compared with the impacts arising from locational gas sourcing uncertainties but this is a matter that the Transporters may well wish to consider to establish the most appropriate data gathering and processing to enable them to satisfy their obligations.

Direct provision of information from consumers

The CIA “would also support the principle that NTS Direct Connects communicate directly with Transco on any forward forecasts”. The SME notes that Transco NTS conducts the TBE process each year and that Transco NTS continues to welcome information exchange direct with consumers in respect of anticipated offtakes from the system.

Appropriateness of information in respect of “Day 13”

NG – UKD questioned whether “it is still appropriate for data to be supplied for Day 13 of the severe load duration curve”? NG – UKD stated that Day 13 had “been important

because it is the point when LNG storage would first be required for peak shaving”. Furthermore NG – UKD indicated that “with the changing supply/demand patterns and use of LNG in the UK the Day 13 data may not always provide Transco NTS with the information they require for their investment decisions.”

No alternative approach was advocated by the respondent but the SME recognises that it may be appropriate for the Transporters to keep the data exchange definition associated with this Proposal under review to ensure that appropriate information flows take place between Transporters that are consistent with the delivery of their obligations

12. The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

The Proposer has identified that information to be provided as a consequence of implementation would ensure that Transporters would have the enhanced level of information that was available prior to separation of transportation and distribution to “ensure compliance with their respective Safety Cases”.

SGN confirmed that the information exchange is “seen as a key part of the Safety Case compliance process”.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

No such requirement has been identified.

14. Programme for works required as a consequence of implementing the Modification Proposal

No programme for works is anticipated.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

The Proposer has recommended a 14 September 2005 implementation date.

16. Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

17. Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

At the Modification Panel meeting held on 1 September 2005, of the nine Voting Members present, capable of casting ten votes, ten votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommended implementation of this Proposal.

18. Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

19. Text

UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL DOCUMENT

SECTION O - SYSTEM PLANNING

Amend paragraph 3.2.1 as follows:

3.2.1 Each User, by the date (not less than one month after the Base Plan Assumptions were published) and in the format specified in the Base Plan Assumptions:

(a) shall provide to the Transporter:

(a) estimates for years 1 to 3 of 1-in-20 peak day demand and seasonal normal annual demand at Supply Points of which it is the Registered User and (as respects demand for gas attributable to it) at Connected System Exit Points other than Storage Connection Points;

(b) such estimates for years 1 to 3 of availability of gas for supply (in accordance with paragraph to such User, upon such assumptions (as referred to in paragraph), as may be required pursuant to the Base Plan Assumptions; and

(c) in the case of Transco NTS, such further information as may reasonably be requested by Transco NTS under the Base Plan Assumptions;

(b) without prejudice to paragraph 3.2.1 (a) (iii), may provide to Transco NTS estimates for years 4 and 5 of 1-in-20 peak day demand and seasonal normal annual demand at NTS Supply Points of which it is the Registered User and (as respects demand for gas attributable to it) at NTS Connected System Exit Points other than Storage Connection Points."

Amend paragraph 3.2.4 as follows:

"3.2.4 In providing estimates and information under paragraph 3.2.1(a) (i) each User will be required in particular to provide information in relation to the new sources of demand of the User such as new residential, commercial or industrial developments, and to indicate the extent to which the User has secured or expects to secure contractual commitments for the sale of gas in connection with such developments."

UNIFORM NETWORK CODE – GENERAL TERMS

SECTION C - INTERPRETATION

Paragraph 2.6.4:

Add new sub paragraphs 2.6.4 (e) to (g) as follows

"(e) "peak rate" is the maximum instantaneous rate of offtake (expressed in MCM per hour) at which gas is or is likely to be offtaken at the NTS/LDZ Offtake;

(f) "1 in 50 load duration curve" is that curve which, in a long series of

years (commencing on 1 October 1927), with connected load held at the levels appropriate to the year in question, would be such that the volume of demand above any given demand threshold (represented by the area under the curve and above the threshold) would be exceeded in one out of 50 years;

- (g) “average load duration curve” is that curve which, in a long series of years (commencing on 1 October 1987), with connected load held at the levels appropriate to the year in question, would be such that the volume of demand above any given demand threshold (represented by the area under the curve and above the threshold) would be the mean volume over such long series of years.”

**UNIFORM NETWORK CODE – OFFTAKE ARRANGEMENTS
DOCUMENT**

SECTION H - NTS LONG TERM DEMAND FORECASTING

Amend paragraph 2.1.1 as follows

- "(f) Transco NTS shall provide forecast information relating to calendar years, Gas Years and (as appropriate) Formula Years 0 to 9 in accordance with paragraph 2.5;~~and~~
- (g) Transco NTS shall provide CV and Wobbe Index forecast information relating to Gas Years 0 to 9; and
- (h) the DNO shall provide forecast offtake information relating to Gas Years 1 to 5 in accordance with paragraph 2.7; and
- (i) following receipt of the information provided by the DNO in accordance with paragraph (h), Transco NTS shall provide forecast NTS Offtake Capacity amounts and Assured Offtake Pressures relating to Gas Years 1 to 5 in accordance with paragraph 2.8”

Paragraph 2.1.2

Insert two additional rows to the Table to read :

<u>2.1.1(h)</u>	<u>DNO provides forecast offtake information</u>	<u>The end of July</u>
<u>2.1.1(i)</u>	<u>Transco NTS provides forecast NTS Offtake Capacity and pressure information</u>	<u>The end of September</u>

Add new paragraph 2.7 to read:

“2.7 Forecast Offtake Information

2.7.1 The information to be provided by the DNO is the forecast rate of volume flow (MCM per day), peak rate (MCM per hour) and Offtake Flexibility Quantity (MCM per day) in respect of each of its NTS/LDZ Offtakes at various levels of demand as specified in Part 3 of Annex H-1.”

Add new paragraph 2.8 to read:

“2.8 NTS Offtake Capacity and Pressure Information

2.8.1 The information to be provided by Transco NTS to the DNO is the forecast of the availability of NTS Offtake (Flat) Capacity, NTS Offtake (Flexibility) Capacity and Assured Offtake Pressures in respect of each of its NTS/LDZ Offtakes, where such information is not contained in the Offtake Capacity Statement provided to such DNO in accordance with Section B6.2 or any revisions thereto in accordance with Section B6.3.”

Annex H –1, add new Part 3 to read:

“Part 3 - Forecast Flow Information to be provided by DNO

<u>NTS/LDZ Offtake</u>	<u>Gas Year</u>	<u>Assumed calorific value</u>	<u>Level of demand for gas</u>	<u>Data elements required per demand level</u>
			(ref. Note 1)	
			<u>1 in 20 peak day demand</u>	<u>Forecast rate of volume flow (MCM/day)</u>
			<u>Day 13 of 1 in 50 load duration curve</u>	
			<u>Day 46 of average load duration curve</u>	<u>peak rate (MCM/hour)</u>
			<u>Day 150 of average load duration curve</u>	<u>Offtake Flexibility Quantity (MCM/day)</u>
			<u>Day 300 of average load duration curve</u>	

Note 1 – 1 in 20 peak day demand and Day 13 assume all interruptible load is not supplied. Day 46, Day 150 and Day 300 assume all interruptible is supplied.”

UNIFORM NETWORK CODE – TRANSITION DOCUMENT

PART IIC – TRANSITION RULES

Add new Paragraph 1.6 to read

“ 1.6 OAD Section H : NTS Long Term Demand Forecasting

1.6.1 OAD Section H paragraph 2.7

By 15 September 2005 the DNO shall provide to Transco NTS the forecast rate of volume flow (MCM per day) and Offtake Flexibility Quantity (MCM per day) in relation to a 1 in 20 peak day in respect of each of its NTS/LDZ Offtakes for each of the five Gas Years commencing with the Gas Year ending 30

September 2006 and ending with the Gas Year ending 30 September 2010;

1.6.2 OAD Section H paragraph 2.8

By 15 October 2005 Transco NTS shall provide to the DNO the forecast of the availability of NTS Offtake (Flat) Capacity, NTS Offtake (Flexibility) Capacity and Assured Offtake Pressures in respect of each of its NTS/LDZ Offtakes for each of the two Gas Years commencing with the Gas Year ending 30 September 2009 and ending with the Gas Year ending 30 September 2010.”

Subject Matter Expert sign off:

I confirm that I have prepared this modification report in accordance with the Modification Rules.

Signature:

Date :

Signed for and on behalf of Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters

Signature:

Date :

