

CODE MODIFICATION PROPOSAL No. 0038

"Provision of Information to Support Development of the NTS Investment Programme"
Version 2.0

Date: 14/07/2005

Proposed Implementation Date: 31/08/2005

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

Transco NTS seeks this Modification Proposal to proceed direct to consultation in accordance with Section 7.3 of the modification procedures in the UNC with a shortened consultation timetable as indicated in sub-section a.

Nature and Purpose of Proposal (including consequence of non implementation)

It is proposed 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 was provided to Transco NTS within the integrated Transco organisation prior to implementation of the Uniform Network Code, and in a form referred to as "PS3" statements. It is proposed that the offtake flow forecasts would be provided in statements similar to the historical PS3 statements. Such data would be designed to 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" at higher demand levels.

This information would support the formulation of the 5-year NTS investment programme that Transco NTS is required to prepare to satisfy its Safety Case. 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 the cut-off date for formal provision of the statement is 1 September 2005 (or the day immediately following the implementation date in the event that the implementation date is beyond 31 August 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.

In the event that a DNO User fails to provide the detailed flow forecast statement by the due date for either all or any of its NTS/LDZ offtakes, it is proposed that Transco NTS may utilise the previous years forecast data taking account of any subsequent revisions to the previous years forecast data requested by the DNO User.

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, but in recognition of the fact that direct connects are only supplied through single offtakes, it is proposed that peak flow information in respect of Gas Years Y+3 and Y+4 is provided by Shipper Users to Transco NTS on a voluntary basis.

If this Proposal were not implemented in the timescales identified, Transco NTS would not have the enhanced level of information from DNOs and Shipper Users that it believes would assist it to make the most efficient and economic investment decisions, and may indeed be a lower level of information than that which existed prior to separation.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

Transco NTS considers this Proposal would, if implemented, better facilitate the following Relevant Objective(s) as set out in its Gas Transporters 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 better facilitate the efficient and economic operation of the NTS pipeline system.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

a. Proposed implementation timetable

Transco NTS believes the following timetable should be adopted:

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| Proposal sent to Joint Office | 13/07/2005 |
| Modification Panel agree consultation timetable | 21/07/2005 |
| DMR issued for consultation (3 days) | 26/07/2005 |
| Close out of representations (5 days) | 02/08/2005 |
| Draft FMR issued to Joint Office (5 days) | 09/08/2005 |
| Draft FMR Review | 11/08/2005 |
| FMR issued to Modification Panel | 11/08/2005 |
| Modification Panel decide upon recommendation | 18/08/2005 |

b. Proposed legal text

c. Advantages of the Proposal

Transco NTS believes that this Proposal:

- codifies the exchange of information 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 the 5 year NTS investment programme.

- affords the opportunity to Shipper Users to participate in the forecast demand process to assist the efficient and economic development of the system.

d. Disadvantages of the Proposal

Transco NTS is unaware of any disadvantages.

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

Transco NTS considers that implementation of this Proposal would benefit security of supply by ensuring Transco NTS receives detailed forecast offtake information that would allow any investment decisions to be made in a timely manner to ensure sufficient NTS transportation capability to meet the peak demand requirement.

f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including

i. implications for operation of the System

Transco NTS does not believe this Proposal, if implemented, would adversely affect the operation of the System.

ii. development and capital cost and operating cost implications

Transco NTS believes this Proposal, if implemented, would facilitate the efficient and economic formulation of the 5 year NTS investment programme, thereby allowing investments to be undertaken in a more cost effective and efficient manner.

iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs

Transco NTS does not believe this Proposal, if implemented, requires it to recover any additional costs.

iv. analysis of the consequences (if any) this proposal would have on price regulation

Transco NTS does not believe this Proposal, if implemented, would have any consequences on price regulation.

g. 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

Transco NTS considers that implementation of this Proposal would have no effect on the level of contractual risk of each Transporter.

h. 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

Transco NTS does not envisage any impact on the UK Link System if this Proposal were to be implemented.

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

Nothing has been brought to the attention of the Proposer to suggest that Users would incur additional costs or risks under the Uniform Network Code to implement the Proposal.

Code Concerned, sections and paragraphs

UNC Offtake Arrangements Document, Section H
UNC Transition Document, Part IIC Transitional Rules
UNC Transportation Principle Document, Section O

Proposer's Representative

Paul Roberts (National Grid Transco - UKT)

Proposer

Richard Court (National Grid Transco - UKT)

Signature

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