

Modification Report
Urgent Modification Proposal Reference Number:0086
Interruptible-F10 Service

This modification report is made pursuant to Rule 9 of the Modification Rules and follows the format required under rule 8.12.4.

1. Circumstances Making this Modification Urgent.

In accordance with Rule 9.2(a) Ofgas has agreed that this modification proposal should be treated as URGENT in recognition of the necessity to make the service available to Shippers from 1st November, before the likely onset of major winter interruptions.

2. Procedures Followed

TransCo agreed with Ofgas, and has followed, the following procedures for this Proposal:

9th October 1996 - Modification Proposal Submitted
9th October 1996 - Proposal agreed as Urgent and circulated.
17th October 1996 - Written Representation Closed Out
18th October 1996 - Presentation to Shippers
29th October 1996 - Report to Ofgas

The report has been delayed to take account of responses to questions and representations resulting from a presentation to Shippers on 18th October.

3. The Modification Proposal

To create a bespoke service which can be implemented before the 1996/7 winter period, in which an interruptible supply point may elect for a 'small' allocation of firm supply.

The proposal is as follows:

(i) An annual agreement would be entered into for an interruptible supply point (ISP) specifying an amount, subject to certain limits laid out below, of the firm offtake allowable at the ISP. The ISP would remain unchanged on UK Link, but would be treated as a shared supply point.

(ii) An interruptible supply point will meet the criteria of a Interruptible-F10 supply point provided:

- X% of SOQ off-take is **firm** and termed the 'firm element', where X% can be any agreed percentage not exceeding 10 so long as it does not exceed 14650 kWh [500t].
- the firm element is subject to NTS exit charges and LDZ capacity charges;
- a commodity charge is levied on the firm element with a charge rate equal to the difference in the charge rates based on the specified firm supply point capacity and the registered supply point capacity.

- the remaining load, termed the 'interruptible element' is interruptible and subject to standard conditions as specified in the Code.

(iii) On request by TransCo for site interruption, an **interruptible F10** will be required to reduce offtake such that the hourly offtake rate does not exceed 1/10 of the firm daily supply point capacity and that this daily capacity is not exceeded in any Gas Flow Day. Normal conditions for interruption will apply to the interruptible element of the load, where the interruptible element daily quantity is defined as the declared supply point SOQ less the 'firm element' daily quantity.

(iv) Requests for **interruptible-F10** agreements can be submitted from the date of acceptance of this modification subject to:

- firm capacity availability. The service will have a cap on the total allowable firm load. Initially this cap is set at 1GWh/day.
- system capacity availability within the 'locality' of the supply point.

(v) Charges will be levied through monthly (AT-Link) invoices for the interruptible supply point and one ad-hoc invoice to address the additional charges on the firm element.

The adhoc charge comprises:

- NTS exit charges for the declared firm load for the duration of the agreement,
- LDZ capacity charges for the declared firm load for the duration of the agreement, and
- an adjustment(J) to the LDZ commodity charge applied to the declared firm load for the duration of the agreement as follows ,

$$J = 365 * F * (R(F) - R(I)),$$

where:

F = firm daily offtake capacity

R(F)= LDZ commodity charge rate for the firm supply

R(I)= LDZ commodity charge rate for the supply point

There is an assumption that the supply point takes at least the firm element each day.

The AT-link invoicing comprises:

NTS and LDZ commodity charges, where the charge rate is based on the register supply point capacity (firm and interruptible element)

The objective of the charging mechanism proposed in this modification is to minimise administrative burden, whilst following the principles applied to charging a shared supply point as laid out in section G, 1.7.15 of the Network Code. The consequences arising from this modification are:

i)The firm 'supply point' pays the additional capacity charges for NTS exit and LDZ capacity. It also pays higher unit LDZ commodity charges based on a reduced capacity.

ii)The interruptible 'supply point' charging is not reflecting the higher unit rates for LDZ commodity.

iii)The customer capacity charge is paid on the full supply point capacity, rather than split between two 'supply points'

An analysis shows that the maximum deviation from a faithful application of the charges is an under payment by £873.58 on a total annual bill of £29,732.74. This represents 2.9% lower than under a full application of the rules in Section G, 1.7.15, as shown below:

Annual transportation bill:

Interruptible bill:	£26459.19
Ad hoc invoice:	£3273.55
Total bill charged:	£29732.74
Full reflection of NC G.17.15:	£30606.32
Under charge:	£873.58

4. TransCo's opinion

Concerns have been expressed as to the rigidity of the implementation of interruption under the Network Code. There has been a clear indication from many shippers that they will incur severe difficulties in meeting their obligations of ensuring that some of their interruptible supply points (ISP) achieve a complete interruption. Some end users incur serious practical problems in implementing a total plant shutdown which would be alleviated by a small 'pilot' offtake being maintained.

TransCo believes it is beneficial to all parties that the interruptible F10 service is made available where possible to reduce incidents of 'failure to interrupt'.

It is TransCo's opinion that this service should be offered on a trial basis this winter (1996/7) with the view to providing a definitive service for future years in the light of both shipper and TransCo's experiences.

TransCo supports this modification on the basis that this is an Urgent Modification to the Transition Document.

5 Extent to which the modification would better facilitate the relevant objectives

By providing the option to shippers of electing a 'small' firm supply to their interruptible supply points in situations where this will facilitate the assurance of interruption of the remaining interruptible load, this modification further facilitates the efficient and economic operation of the system.

6 The implications for TransCo of implementing the Modification Proposal, including

a) implications for the operation of the system and BG Storage Facility

The provisions allowed for in this modification, will provide TransCo with more certainty of the ability of an interruptible supply point to interrupt.

As the service was formulated after the system Top-up was booked, it is necessary to

include a cap on the firm capacity available within this modification.

b) development and capital cost and operating cost implications

In order to implement the modification this winter it is necessary to adopt manual 'workarounds' for its management and implementation. Such manual procedures would need systemisation for the longer term.

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

TransCo is uncertain about the associated administrative costs for this service. These will be reviewed retrospectively in the light of the 1996/7 winter experiences, with a view to levying a cost reflective charge, if the service is to continue.

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

TransCo is not aware of any impact upon pricing methodology as a result of this proposal.

7. The consequence of implementing the Modification Proposal on the level of contractual risk to TransCo under the Network Code as modified by the Modification Proposal

The modification enables shippers to contractualise the prudent practices of last winter, whereby it is agreed, with those end users finding it difficult or impossible to interrupt fully, that a low rate of supply may be retained during interruption. This may reduce the number of cases of 'failure to interrupt' and as such reduces the contractual risk to Transco.

8. The development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers.

This modification requires off-line pricing calculations and independent database records for administrative and operational purposes. These will require complete systemisation for the definitive service.

TransCo is not aware of any impact on shipper systems and there is choice as to whether the service available under this modification is taken.

9. The implications of implementing the modification for relevant Shippers

The modification should better enable compliance with contractual obligations in respect of interruption.

10. The implications of implementation of the modification for terminal operators, suppliers, producers and any Non-Network Code Party.

TransCo is not aware of any impact on terminal operators, suppliers, producers and any Non-Network Code Party, other than the end users offered this option by their supplier.

11. Consequences on the legislative and regulatory obligations and contractual relationships of TransCo and each Relevant Shipper and Non-Network Code Party of the implementation of the Modification Proposal:

TransCo is not aware of any impact on shippers and any Non-Network Code Party, other than the end users who are offered this option by their supplier.

12. Analysis of any advantages or disadvantages of the implementation of the modification proposal:

- | | | |
|---------------|---|--|
| Advantages | - | May reduce incidents of failure to Interrupt
Allows shippers to further address end user needs
Addresses shipper concerns with respect to ability to control the interruption of some supply points |
| Disadvantages | - | Current necessary restrictions of
- total firm capacity allocation available
- local system capacity availability
- firm percentage of SOQ allowable
Manual administration of the service
Adhoc charging methods. |

13. Summary of the representations (to the extent that the importance of those representations are not reflected in the modification report):

In total 6 representations were received (communications from Scottish Power, Texaco, Kinetica, British Steel, British Gas Trading and Eastern Natural Gas) the majority of which were supportive subject to points of clarification. These are summarised as follows:

- i) Two requested more clarification on transportation charges whether these were unregulated charges and the likely service charge.
- ii) Four requested clarification on the justification for the firm supply caps of 10% SOQ and 14650 kWh/day on the supply point.
- iii) One requested clarification on the 1GWhr firm capacity cap for the service.
- iv) One expressed concern that the firm element would not be identifiable and indistinguishable at the commencement of interruption. In any event the view was expressed that provision for this facility could be arranged through existing shared meter allocations.

Two shippers were against the proposal.

One objected on the basis that it does not address all the issues relating to a split firm/interruptible service and concern was expressed regarding the lack of details provided which are necessary to

meet all the operational and commercial arrangements necessary to put the service in place. The second objection was on the basis of lack of supporting evidence, clear rationale and consideration of long term solutions.

In response to these representations, TransCo would like to make the following comments additional to those already detailed in this report:

i) The transportation charges levied follow the Transportation Charges statement as closely as possible, without incurring unacceptable administrative burden through monthly adhoc invoicing. As such, these transportation charges are regulated. The maximum discrepancy possible is very small and deemed of low significance in the light of the value of the service. This simple approach to charging ensures TransCo's preparedness in administering the service this winter.

ii) The rationale of the cap of 14650 kWhr/day (500 tpd), equivalent to 75000tpa, firm capacity originates from applying the spirit of the Gas Act (Section 10) to existing supply points.

The 10% SOQ limit on firm capacity is considered to be a reasonable estimate of the capacity required to keep a site on 'stand-by' over periods of interruption and thus reasonable to address the objectives of the modification. An initial analysis of last winter's interruptions indicates that a 10% limit would address most of the cases where difficulties arose.

This cap together with the service cap of 1GWh ensures availability to at least 70 supply points.

The constraint on this firm capacity, limits the discrepancy of the approximate transportation charges to less than 2.9%. A firm capacity greater than 10% would result in larger discrepancies in transportation charges from those stipulated in the Charging Statement.

Shippers were contacted during the summer months to solicit their views on the value of a service of this nature in addressing some of their concerns regarding their ability to ensure full interruption of some supply points. From the responses and open discussions that followed, there was clear support for a modification of this nature.

The exact specifications, in terms of the firm capacity constraints, may not be optimised. These will be reviewed and may be modified for future years on the basis of experiences of the endusers, shippers and TransCo this winter. The constraints specified are those which are deemed prudent for TransCo to stipulate, to ensure a safe and efficient operation of the system over the next year.

14. The extent to which the implementation is required to enable TransCo to facilitate compliance with safety or other legislation:

The modification is not required to facilitate compliance with safety or other legislation.

15. Having regard to any proposed change in the methodology established under Standard Conditions 3(5) or the statement; furnished by TransCo under Standard Condition 3(1) of the Licence.

TransCo is not aware of any impact.

16. Programme of works required as a consequence of the implementation of the Modification Proposal.

This modification will require the preparation and implementation of manual processes to administer the service and prepare adhoc charges. No programme of work is necessary.

17. Proposed implementation timetable

The modification will be implemented either on 1st November or on acceptance, if later.

18. Recommendation for the implementation of the modification

TransCo recommends this modification to the Transition Document should be implemented to facilitate shipper obligations during interruption, on the understanding that its effectiveness will be reviewed following the 1996/7 winter.

19. Restrictive Trade Practices Act

See Annex 1.

20. Text Pursuant to Rule 8.14

**TRANSITION DOCUMENT
Part II, Paragraph 8**

Insert under Section G (Supply Points):

- "G1.7
- (1) Subject to paragraph (7), the Registered User of an Interruptible Supply Point (the "**relevant Supply Point**", which term shall include the Supply Point Component comprised therein) comprising a single Supply Meter Point which is not a Shared Supply Meter Point, may elect (subject to paragraph (5)) in accordance with paragraph (3) that, for a period of 12 months commencing with the date of the election, the Supply Meter Point shall be treated for the purposes specified in paragraph (2) as though it were a Shared Supply Meter Point comprised in both a Firm Supply Point and an Interruptible Supply Point.
 - (2) The purposes referred to in paragraph (1) are:
 - (i) determining whether there has been a failure to Interrupt for the purposes of Section G6.9 at the relevant Supply Point;
 - (ii) determining the Capacity Charges payable by the User in respect of the relevant Supply Point.

- (3) An election under paragraph (1):
- (i) shall be given by the User to TransCo by Conventional Notice not earlier than 1st October 1996 and shall be treated as made with effect from the date of such notice;
 - (ii) shall specify an amount of Supply Point Capacity, not exceeding whichever is the lesser of 14,650 kWh/Day (500 therms/Day) and 10% of the User's Registered Supply Point Capacity, for the purposes of paragraph 4(a);
 - (iii) may not be revoked by the User but shall lapse on the first anniversary of the election or (if earlier) if the User shall cease to be the Registered User of the Supply Meter Point or if there occurs a failure to Interrupt (in accordance with paragraph (e)) at the relevant Supply Point.

- (4) Where an election is in force under paragraph (1):
- (a) of the Supply Point Capacity held by the User at the relevant Supply Point, the amount (the "**Firm Supply Point Capacity**") specified by the User pursuant to paragraph 3(ii) shall be treated as though it were held at a Firm Supply Point Component;
 - (b) the User shall be treated (for the purposes of paragraph (c)) as holding NTS Exit Capacity (at the relevant NTS/LDZ Offtake) in respect of such Firm Supply Point Component, as though it were an NDM Supply Point Component, in an amount equal to the amount of the Firm Supply Point Capacity;
 - (c) the User shall be liable for LDZ Capacity Charges (in respect of the Firm Supply Point Capacity) and NTS Exit Capacity Charges (in respect of the NTS Exit Capacity under paragraph (b)), which shall be payable in accordance with paragraph (5);
 - (d) the User shall be deemed for the purposes of Section G1.7.7 to have given a Shared Supply Meter Notification (which the User may not revise) providing that, of the quantity offtaken at the Supply Meter Point each Day, an amount equal to the Firm Supply Point Capacity (or where less the whole of such quantity) shall be treated as having been offtaken at such Firm Supply Point, and the balance (if any) at the Interruptible Supply Point;

- (e) where TransCo requires Interruption at the relevant Supply Point, the requirement under Section 6.7.2(b) is that:
 - (i) the rate (in kWh/hour) at which gas is offtaken from the System at the Supply Point shall not exceed 1/10 of the Firm Supply Point Capacity; and
 - (ii) where the requirement for Interruption applies for the whole of the Gas Flow Day, the quantity offtaken on such Day does not exceed the Firm Supply Point Capacity;
- (f) the Applicable Commodity Rate of the Commodity Charges payable in respect of quantities treated (in accordance with paragraph (d)) as offtaken from such Firm Supply Point, insofar as a function of Supply Point Capacity, shall be determined by reference to the Firm Supply Point Capacity (and the difference between such Commodity Charges so determined and those which would otherwise be payable shall be invoiced by way of Ad-Hoc Invoice); but otherwise Section G1.7.15 shall not apply and the rate of any Supply Point Transportation Charge shall be determined by reference to the aggregate Supply Point Capacity held by the User at the relevant Supply Point;
- (g) where (pursuant to a Supply Point Confirmation which becomes effective) another User is to become the Registered User of a Proposed Supply Point which is a Current Supply Point in relation to which the relevant Supply Point is the Existing Supply Point, the Proposing User may not later than the Proposed Supply Point Registration Date make an election for the purposes of paragraph (6);
- (h) the User shall inform TransCo as soon as reasonably practicable after ceasing (in the circumstances in paragraph (g) or otherwise) to be the Registered User of the relevant Supply Point.

(5) Where a User makes an election under paragraph (1):

- (a) the User shall pay to TransCo the amount (if any) determined in accordance with the Transportation Statement (in respect of TransCo's administrative expenses incurred in connection with the election);
- (b) the amount payable under paragraph (a), together with the entire amount of the charges referred to in paragraph (4)(c) calculated for the whole of the 12 month period commencing with the date of the election, shall be payable in a single payment, and may be invoiced by way of Ad-Hoc Invoice at

any time after the User's election and shall be paid in accordance with Section S;

- (c) except as provided in paragraph (6)(c), the User shall not be entitled to any repayment of any amount payable under paragraph (b) by reason of the User's election lapsing before its first anniversary.
- (d) TransCo may refuse to permit an election to proceed where in its opinion the Firm Transportation Requirement (which shall be deemed to apply, on the basis that the Supply Point Offtake rate is 1/10 of the Firm Supply Point Capacity) is not satisfied in respect of such Firm Supply Point.

(6) Where a Proposing User makes an election under paragraph (4)(g):

- (a) the election (the "**original election**") under paragraph (1) made by the Existing Registered User shall be deemed to continue in force, as though made by the Proposing User in relation to the Proposed Supply Point, in respect of the period (the "**remaining period**") from the Supply Point Registration Date until the anniversary of the original election;
- (b) the Proposing User shall be liable for the amount under paragraph (5)(a) (as though it had made an election under paragraph (1)), and for so much of the charges referred to in paragraph (4)(c) as are attributable to the remaining period (and paragraph (5) shall apply in respect of such amounts by reference to the date of the Proposing User's election);
- (c) there shall be repaid to the Existing Registered User an amount equal to the amount payable by the Proposing User under paragraph (b).

(7) No election under paragraph (1) may be made after the time at which the aggregate amount of Firm Supply Point Capacity pursuant to all such elections already made by Users exceeds 1,000,000 kWh/Day, or such higher amount as the Top-up Manager may in its discretion determine and notify to Users for the purposes of this paragraph (7) (but an election under paragraph (1) shall not count as redesignation as Firm for the purposes of Section P2.9).

21. TransCo Proposal

This Modification report contains TransCo's proposal to modify the Network Code and TransCo now seeks a direction from the Director General in accordance with this report.

Signed for on behalf of British Gas TransCo.

Signature: *J. R. Marjowski*

Date: 29/10/96.

Name: J. R. MARJOWSKI ER MIKE PIGGIN

Position:

CAPACITY DEVELOPMENT MANAGER.

Director General of Gas Supply Response

In accordance with Condition 7(10)(b) of the Standard Conditions of Public Gas Transporter's Licences dated 21st February 1996 I hereby direct British Gas TransCo that the above proposal be made as a modification to the network Code.

Signed for and on behalf of the Director General of Gas Supply.

Signature: *Cynthia Chaplin*

Date: 20 November 1996

Name: C Chaplin

Position: Economic Advisor

The network code is hereby modified, with effect from dd/mm/yy, in accordance with the above proposal.

Signature:

Secretary Modification Panel
British Gas TransCo