

## Representation

### Draft Modification Report

#### 0461 - Changing the UNC Gas Day to Align with the Gas Day in EU Network Codes

**Consultation close out date:** 27 January 2014

**Respond to:** enquiries@gasgovernance.co.uk

**Organisation:** ConocoPhillips(UK) Ltd

**Representative:** Manda Goodwin

**Date of Representation:** 27 January 2014

**Do you support or oppose implementation?**

Not in Support

**Please summarise (in one paragraph) the key reason(s) for your support/opposition.**

We do not support this change because we consider it to be unnecessary and costly. The intention of the CAM Network Code was not to create obstacles to trade; instead it was to any remove barriers. Gas has already been successfully traded and shipped across from the UK to mainland Europe since 1998 without requiring this change. We do not observe any benefits of introducing a Change in the Gas Day; it simply adds cost and difficulty for both the downstream and, indirectly, the Upstream Industry. Thus, we believe, a cost benefit analysis is urgently required.

If the Upstream Industry does not comply with the changes, then shippers will have no basis to claim terminal deliveries within CVA. Any shipper receiving non-validated numbers from a terminal will be scaled if there is a mismatch in claims. Scheduling charges will also be more prevalent.

For the Upstream to comply with the downstream regulation, the allocation systems at terminals, and on offshore gathering platforms, would need to be amended. These allocation systems tend to be extremely complex computer programmes with hard coded timing for nominations, timeliness of nominations checks, reports issuance, and within day forecasting of flow rates. The coding in the allocation programmes would require 'unpicking', which is a huge and costly job for the systems companies to undertake. Note that some of these allocation systems are up to 20 years old and may require completely replacing rather than altering, in order to achieve compliance. The more we investigate the actions necessary for the Upstream to comply, the more we realise that it is extremely unlikely we will be able to provide 05:00-05:00 information to National Grid by October 2015.

O&G UK estimates that £40-50 MM would need to be spent by the upstream in order for physical meter changes at the terminals (and on the platforms) to be carried out,

and for allocation systems changes at the terminals (and at offshore gathering platforms) to be amended. This does not consider the time spent amending necessary offshore commercial agreements.

Older terminals are unlikely to want to introduce new costs to the fields as this may impact on economic termination dates of these fields. We have estimated that TGT has ~95 flow computers, on both onshore and offshore meters, all of which will require adjustment.

Note also that, dependent on the terminal, there may be 'oil days' to consider in addition to the gas day. Currently, at least one Operator runs set 12 hourly allocation periods to allow alignment with an oil day of 18:00-18:00. Any change in the gas day will leave that Operator with a problem regarding its oil day. It will have one 11 hour oil day and one 13 hour oil day. Thus an amendment of the allocations computer programme for the oil day is highly likely to also be required.

**Modification Panel Members have indicated that it would be particularly helpful if the following question could be addressed in responses:**

**Q1: Please provide views on the time constraints of the process and effort required to implement this modification.**

For the downstream industry, I have no view on the time for implementation. However, once implemented, shippers will then start to receive non-validated flow data and inaccuracies will be introduced into a claims validation system that is currently working perfectly. The Shippers are likely to be the entities requesting the upstream industry comply with this regulation in order to help them receive accurate data once more.

As mentioned above, it is highly unlikely the upstream industry will be able to comply with the regulation within the timescale laid out. There are insufficient systems engineers trained and available to undertake the work of amending existing allocations systems. Also, if the system requires completely replacing, that time extends further. A recent (fairly simple) offshore gathering platform allocations system took two years for the physical build, but a total of 3 years when including approvals, debugging and parallel running time.

Additionally, in some of the older and more complex terminals, the cost of implementing new systems may be too great for the terminals to consider undertaking. As fields and terminals monitor economic termination, additional cost and the time taken to build it may not make economic sense.

**Are there any new or additional issues that you believe should be recorded in the Modification Report?**

Note that, as the CVA requires unanimous approval for a change, all terminal operators are required to be happy to change to the 05:00-05:00 Gas Day in order for the CVA to even consider amending its agreements.

Also, for the individual terminals to agree to change, they require the agreement of all their offshore producers; some of which are not involved in the downstream market and hence will not prioritise amendments of offshore agreements.

### **Relevant Objectives:**

*How would implementation of this modification impact the relevant objectives?*

The modification will not improve the efficiency of the trading of gas between the UK and continental Europe. Systems are already in place and working effectively to manage the time difference.

### **Impacts and Costs:**

*What analysis, development and ongoing costs would you face if this modification were implemented?*

As mentioned above, if the Upstream Industry does not comply, the shippers are the body who will face an ongoing cost of non-validated and thus scaled claims.

Only if the Upstream Industry is expected to comply with this regulation will additional costs be incurred by the producers, and terminal operators.

### **Implementation:**

*What lead-time would you wish to see prior to this modification being implemented, and why?*

A cost benefit analysis is required prior to implementation of this modification. Additionally, a desk top exercise between terminal operators, the CVA and National Grid is required to determine how mismatched the shipper claims will be when the modification is implemented and the upstream industry continues to provide 06:00-06:00 data to shippers, National Grid and the CVA. This should help determine exactly what costs will be incurred by whom and how substantial those costs will be.

### **Legal Text:**

*Are you satisfied that the legal text will deliver the intent of the modification?*

### **Is there anything further you wish to be taken into account?**

*Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.*