# NETWORK CODE MODIFICATION PROPOSAL No: 0449

**SHORT TITLE:** Determination of National Top-up Requirements

**DATE:** 20 December 2000 **PROPOSED IMPLEMENTATION DATE:** ASAP

**Urgency:** Urgent

## Justification of Urgency

This proposal should be granted Urgent status to avoid the possibility of significant unnecessary Top-up costs arising during the current winter.

## Nature of Proposal

Section P of the Network Code requires Transco as Top-up Manager to provide gas-in-storage (to the extent that others have not already so provided) in order to achieve the 1-in-20 peak day and 1-in-50 severe year security criteria in respect of:

1. Availability of gas supplies to firm load nationally ("National Top-up"), and
2. Transportation capacity for firm load where this is provided in part through Constrained Storage ("Constrained Top-up").

Transco proposes that the National Top-up requirement be calculated with reference to the amounts by which aggregate demand from loads less than 732 MWh / annum, rather than all firm load as at present, exceeds the maximum daily supply. Constrained Top-up requirements would continue to be determined with reference to all firm demand in the relevant areas.

## Purpose of Proposal

There is no direct requirement on Transco to provide National Top-up in the Gas Act, its PGT licence or the Gas Safety (Management) Regulations. However Shippers' and Suppliers' licences include requirements to provide security of supply (in accordance with the 1-in-20 peak-day and 1-in-50 severe year criteria) for their domestic consumers. Condition 7(1)(d) of the PGT licence requires Transco to provide reasonable incentives to suppliers to secure these domestic supply security standards. Transco considers that provision of National Top-up to protect demands below 732 MWh / annum would be more consistent with existing licence conditions, and would give reasonable incentives for shippers and suppliers to make sufficient provision for domestic loads themselves. At present the Network Code goes beyond this standard, which is neither economic nor efficient.

Transco has discussed this matter with the HSE, which has indicated that such a modification would be in keeping with its statutory duties to protect the safety of domestic consumers.

The limit of 732 MWh (approximately 25,000 therms) per annum is proposed because, although most domestic loads consume less than 73 MWh (2,500 therms) per

annum, some consume more. Also, it is not practicable to separately identify all small, "embedded" industrial and commercial loads. However, the proposed limit is likely to over-estimate domestic and embedded demand, and represents a cautious approach to change.

No changes are proposed to Constrained Top-up, since Transco must ensure that sufficient Constrained Storage is provided to achieve the security criteria in relation to transportation capacity for all firm loads in the relevant areas, to meet Condition 13 of its PGT licence.

## Consequence of Transco not making this change

If this change is not made, there is a risk that Transco will take unnecessary actions in relation to National Top-up. This is because the Network Code requires the Top-up Manager to consider all firm loads when estimating the level of National Top-up required, whereas the Licence Conditions applicable to Shippers, Suppliers and PGTs only require security of domestic supplies.

## Areas of Network Code affected

Sections O and P.

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| Proposer: | Tim Davis |
| Proposer's Position: | Head of Network Code and Pricing |
| Proposer's Representative: | Ian Hopkins |