

Modification Report
Revision to Section O - System Planning
Modification Reference Number 0557
Version 1.0

This Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

It is proposed that Transco would no longer be required by the Network Code to publish the Base Plan Assumptions document. This document has recently only repeated information contained within the previously published Ten Year Statement.

It is also proposed that whilst the present Network Code requirement for Users to supply estimates of gas supply availability would continue, the requirement for them to provide estimates of demand would not be retained.

2. Transco's Opinion

Transco believes that implementation of this Modification Proposal would streamline and improve the annual planning consultation arrangements. This would be consistent with the efficient discharge of its licence obligations. Users would benefit as they would be required to produce less information than presently required under the Network Code.

3. Extent to which the proposed modification would better facilitate the relevant objectives

Streamlining the annual planning consultations process, to reflect industry agreed changes, is consistent with the efficient discharge of Transco's licence obligations and with the economic and efficient operation by Transco of its pipe-line system.

Transco would ensure that the Ten Year Statement continued to contain sufficient data as the basis for the following year's consultation process.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

Transco has not identified any implications for the operation of the System.

b) development and capital cost and operating cost implications:

Transco is not aware of any development costs required to implement this Modification, but there would potentially be a small reduction in operating costs for both Transco and Users.

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 does not anticipate that implementation of this Modification Proposal would lead to an increase in costs.

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

Transco is not aware of any consequences this Modification Proposal would have on price regulation.

5. 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

Transco does not anticipate that there would be any consequences on the level of contractual risk under the Network Code, as a result of implementation of this Modification Proposal.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

Transco does not anticipate any development implications for its computer systems or the related systems of Users.

7. The implications of implementing the Modification Proposal for Users

Users would be required to provide a reduced level of information for Transco's planning investment purposes.

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

The improvement in focus of information required from Users may be reflected in the information Users would need to obtain from Non-Network Code parties.

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

Transco does not anticipate any consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and non-Network Code Party of implementing the Modification Proposal.

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

Advantage:

Reduced and more relevant level of information required from Users for Transco's planning investment purposes.

Disadvantages:

Transco has not identified any disadvantages.

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

Five responses have been received in respect of the Modification Proposal. Two were supportive, and three offered qualified support.

Respondent	Response
Powergen (PG)	In support
TotalFinaElf & Power Ltd (TFE)	In support
London Electricity (LE)	Qualified support
Shell Gas Direct (SGD)	Qualified support
British Gas Trading (BGT)	Qualified support

PG, BGT and TFE confirmed their view that as the information is already published in the Ten Year Statement there should be no requirement to duplicate this information in the Base Plans Assumptions (BPA) document.

LE raised a number of concerns, which are discussed below, but confirmed that provided these were addressed it saw no reason not to support implementation of the Modification Proposal.

SGD and BGT supported two elements of the Proposal but raised other concerns which are discussed below.

Demand and Supply Data

TFE, SGD and BGT supported the Proposal to remove the Code requirement for Users to provide estimates of demand and to retain the Users' requirement to provide estimates of gas supply availability.

LE concerns related to the provision of demand and supply data. "Any loss or change to the demand data would have an effect on our ability to cross check the data provided in the Ten Year Statement, which is important as the Shipper data in the BPA is used to validate Transco's assumptions in the Ten Year Statement." LE mentioned specifically the provision of Shipper estimates in respect of DM Power Generators.

Transco's Response:

In response to LE's concern about DM Power Generators, Transco confirms that the current process includes for the completion of questionnaires by individual power stations in addition to Transporters, Producers, Terminal Operators, Storage Operators, Shippers and End Users. Transco therefore believes there

would be no significant loss of available information. Transco is of the opinion that the provision of estimates of demand are best determined from a combination of growth forecasts in respect of small end-users and from information sourced directly through end-user questionnaires. The requirement for obtaining demand data from shippers may therefore be dispensed with.

Assumptions

SGD believed "the drafting changes suggest that Transco will suspend publishing information on the assumptions underlying the BPA." BGT shared this opinion and "believes that users need to continue to be able to understand Transco's decision making processes, therefore, the assumptions are vital."

Transco's Response:

Transco confirms that it was not its intention to withhold supporting analysis including planning assumptions. Transco intends that the analysis previously published in the BPA would be included within the Ten Year Statement. Additionally, the annual consultation process, which would continue to include Workshops, would be widened to include investment planning options. The proposed legal text in O1.1.1 and 1.1.2 (ii) has therefore been amended to reinstate the requirement for Transco to publish planning assumptions.

Timing

BGT queried the need for Transco to require information from Users by 31 March of each year when it intends to publish the Ten Year Statement in November of each year.

Transco's Response

Transco published its programme for this year's consultation process in the last Ten Year Statement. This provided for further consultation processes which take account of information received by 31 March, and allowed sufficient time for network analysis to be undertaken in light of the information received by 31 March. Transco therefore believes the date remains appropriate.

Confidentiality

TFE commented that they "remain concerned that until the uncertainty regarding proposed licence changes linked with information disclosure and their potential impact upon commercial confidentiality is resolved, there remains the possibility that the quality of the detailed, commercially sensitive planning information supplied to Transco may continue to be undermined."

BGT advised that it believes any data supplied to Transco should be used in a confidential manner and requested that the legal drafting be amended to include this proviso.

Transco's Response

Transco recognises concerns about the confidentiality of data provided. However, this is not the subject of this Modification Proposal and Transco suggests it should be considered in the context of Ofgem's proposed modification of Transco's Gas Transporters Licence.

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

Transco is unaware of any such requirement.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

Transco is unaware of any such requirement.

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

A programme of works will not be required to implement this Modification Proposal.

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

It is proposed that the Modification Proposal be implemented as soon as possible.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of this Proposal.

17. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal

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

19. Text

Section O

SYSTEM PLANNING

1 GENERAL

1.1 Introduction

- 1.1.1 Each year Transco will publish assumptions and information in respect of supply and demand for gas, and in respect of the System and its use, in accordance with therequirements of the Transco Licence.
- 1.1.2 Transco needs Users to provide (and cooperate in the provision of) information to Transco for the purposes of enabling Transco:
- (i) to comply with its obligations pursuant to the Act and the Transco Licence in relation to the development of the System, and
 - (ii) to prepare and publish the ~~assumptions and~~ information referred to in paragraph 1.1.1 and otherwise contemplated under this Section O.
- 1.1.3 The information to be provided by Users pursuant to this Section O shall be treated as having been requested by Transco for the purposes of Standard Condition 8(1) of the Shipper's Licence.
- 1.1.4 Pursuant to paragraph 1.1.3, to the extent that a User is required by virtue of Standard Condition 8(1) of the Shipper's Licence to comply with any requirement for information to be provided to Transco under this Section O, this Section O does not create an additional obligation for the User to provide such information.

1.2 ~~Base Plan Assumptions and Ten Year Statement~~

- 1.2.1 Each year Transco will publish ~~Base Plan Assumptions and subsequently~~ the Ten Year Statement in accordance with paragraphs 3 and 4.
- ~~1.2.2 "Base Plan Assumptions" is a document setting out initial assumptions as to supply and demand in Gas Years and requesting information from Users and other persons.~~
- 1.2.23 The "**Ten Year Statement**" is a document containing:
- (i) the statement (or revised statement) required to be prepared by Transco pursuant to Amended Standard Condition 25 ~~12~~ of the Transco Licence and any direction of the Director pursuant thereto; and

- (ii) further information which may be required for the purposes of the Code (in particular, Section P) or which Transco may decide to include in such document.

1.2.34 Where the context admits, any reference in the Code to the Ten Year Statement is a reference to the most recently published such statement at any time, and a reference to the Ten Year Statement applicable to a particular Gas Year is to the statement for which (in accordance with paragraph 1.4) such year is year 0.

1.3 Status of planning documents

Transco will not be liable pursuant to the Code to any User in relation to any estimate, forecast or other information contained in or omitted from the ~~Base Plan Assumptions or~~ Ten Year Statement, and nothing contained therein will bind Transco to undertake any reinforcement of the System.

1.4 Planning years

For the purposes of this Section O, in relation to the planning activities undertaken in accordance with this Section O in any year, year 0 is the Gas Year in which such activities are being undertaken, year 1 is the immediately following Gas Year and years 2 to 9 are the following 8 Gas Years, and years -1 to -3 are the three Gas Years preceding year 0.

2 SUPPLY AND DEMAND

2.1 Demand

2.1.1 For the purposes of this Section O references to demand exclude demand for gas offtaken to Storage Facilities, but include demand for gas offtaken to Connected Offtake Systems other than Storage Facilities.

2.1.2 Except in paragraph 3.2, references in this Section O to demand are inclusive of shrinkage.

2.1.3 For the purposes of this Section O:

- (a) demand may be estimated on different assumptions as to the inclusion or exclusion of and the nature of interruptible demand (for these purposes being demand under contracts of sale or supply which permit the interruption of the supply of gas);
- (b) where Transco publishes or requests information as to estimated demand it may specify the assumptions (or alternative assumptions) as to interruptible demand on which such estimates are made or to be made.

2.1.4 For the purposes of determining System 1-in-20 peak day demand and System 1-in-50 Severe Annual Demand, peak day demand excludes

interruptible demand, and annual demand excludes interruptible demand on Days of permitted Interruption (within the Interruption Allowance) in the period from 1st October to 31st March.

2.2 Supply

2.2.1 For the purposes of this Section O, in respect of any Gas Year, in relation to the System or any System Entry Point "**maximum daily supply**" is the maximum availability of gas for supply on one Day in that year; where availability of gas for supply is the quantity of gas that can be delivered on a Day to the System at a System Entry Point or System Entry Points, other than from Storage Facilities.

2.2.2 For the purposes of paragraph 2.2.1:

- (a) availability of gas for supply in any year may be estimated on assumptions which include, in addition to contractual commitments as to the supply of gas, assumptions as to such commitments expected to be made before or during the year, and/or supplies of gas expected to be available on a spot basis during such year, and/or sources of gas expected to be developed before or during such year;
- (b) where Transco publishes or requests information as to estimated availability of gas for supply it may specify the assumptions (or alternative assumptions) on which such estimates are made or to be made.

2.3 Transco sources of information

Except as provided in the Code, Transco is not party to any agreement for the sale of gas offtaken from the System, or the purchase of gas delivered to the System; and accordingly Transco depends on the information provided by persons who are party to such agreements, and on other sources of information (including any information requirements under Network Entry Agreements and Network Exit Agreements, and Transco's historic records), in estimating under this Section O demand and availability of gas for supply.

3 ~~BASE PLAN ASSUMPTIONS~~ GAS SUPPLY INFORMATION

~~3.1 Publication and content~~

~~3.1.1 In October of each year (year 0), Transco will publish for consultation the Base Plan Assumptions, and invite comments from Users and others thereon in accordance with paragraph 3.2.~~

~~3.1.2 The Base Plan Assumptions will typically include:~~

~~—— (a) details for each of years 3 to 1 of actual peak day demand:~~

~~—— 3.1.2(A)[i] for the System as a whole, and~~

- ~~3.1.2(A)[ii] for System Exit Points (other than Unmetered Connected System Exit Points) in accordance with paragraph 3.1.3;~~
 - ~~(b) estimates for each of years 0 to 9 (or for certain of such years) of:~~
 - ~~3.1.2(B)[i] System 1 in 20 peak day demand and System seasonal normal annual demand, upon each of the demand growth assumptions under paragraph (e) below; and~~
 - ~~3.1.2(B)[ii] 1 in 20 peak day demand for System Exit Points in accordance with paragraph 3.1.3;~~
 - ~~(c) estimates for each of years 0 to 9 (or for certain of such years) of maximum daily supply for the System as a whole, by System Entry Point, and the assumptions (in accordance with paragraph 2.2.1) on which such estimates were made;~~
 - ~~(d) an estimate for year 1 of the amounts by which maximum daily supply falls short of System 1 in 20 peak day demand;~~
 - ~~(e) different assumptions (high, low and central) as to overall growth in demand for gas in years 0 to 9 or certain of such years;~~
 - ~~(f) the principal economic and other assumptions made by Transco in preparing such estimates;~~
 - ~~(g) a reference date for the making of estimations of demand.~~
- ~~3.1.3 The details or estimates in respect of System Exit Points under paragraphs 3.1.2(a)(ii) and (b)(ii) will be given:~~
- ~~(i) in respect of LDZ Supply Points, on an aggregated basis by LDZ;~~
 - ~~(ii) in respect of NTS Supply Points, on an aggregated basis for the System as a whole;~~
 - ~~(iii) in respect of each LDZ Connected System Exit Point on an aggregated basis by LDZ (but not for Storage Connection Points).~~

3.12 User information requirements

- 3.12.1** Each User shall provide to Transco, by the 31 March in each year such estimates for years 1 to 3 of availability of gas for supply (in accordance with paragraph 2.2.1) to such User, upon such assumptions (as referred to in paragraph 2.2.2), as Transco may reasonably specify together with such further information as may reasonably be requested by Transco. (not less than one month after the Base Plan Assumptions were published) and in the format specified in the Base Plan Assumptions:

- ~~(i) 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;~~
- ~~(ii) such estimates for years 1 to 3 of availability of gas for supply (in accordance with paragraph 2.2.1) to such User, upon such assumptions (as referred to in paragraph 2.2.2), as may be required pursuant to the Base Plan Assumptions;~~
- ~~(iii) such further information as may reasonably be requested by Transeo under the Base Plan Assumptions.~~

~~3.2.21.2~~ The information required under paragraph 3.12.1 is to be provided by Aggregate System Entry Point::

- ~~(i) as respects LDZ Supply Points, for each LDZ, on an aggregated basis by reference to bands of demand (specified by Transeo) at Firm Supply Points, and on an aggregated basis for Interruptible Supply Points;~~
 - ~~(ii) as respects NTS Supply Points and Connected System Exit Points, by System Point;~~
 - ~~(iii) as respects availability of gas for supply, by Aggregate System Entry Point; and on such basis of estimation or otherwise as may be specified in the Base Plan Assumptions.~~
- ~~3.2.3~~ Subject to paragraph 3.2.4, in order to ensure consistency of information provided to Transeo and to avoid duplication in estimation of demand, a User's estimates of demand are to be in relation to Supply Points in respect of which the User is Registered User and other sources of demand as at the reference date specified (pursuant to paragraph 3.1.2(g)) in the Base Plan Assumptions, and Users should not take into account anticipated changes in their portfolios of Supply Points or in market share, other than as respects new loads in accordance with paragraph 3.2.4;

~~3.2.4~~ In providing estimates and information under paragraph 3.2.1(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.

~~3.2.5~~ References to demand in this paragraph 3.2 are exclusive of shrinkage.

3.23 Confidential information

3.32.1 Transco and Users acknowledge that Users will be required under paragraph 3.12.1 to provide information which may be commercially sensitive vis-à-vis other Users.

~~3.3.2 Where the Base Plan Assumptions specify the form in which information provided to Transco pursuant thereto is to be published, a person providing information pursuant thereto will be deemed to have consented to the publication by Transco of such information in such form unless such person expressly notifies Transco otherwise.~~

~~3.23.23~~ Subject to ~~paragraph 3.3.2 and~~ to Transco's duties under the Transco Licence and the Act, and except where any such person consents thereto, Transco agrees that the ~~Base Plan Assumptions or~~ the Ten Year Statement will not identify by name any particular Users nor (insofar as any User shall have provided information to Transco relating to such person) any supplier, consumer or person producing or selling gas before its delivery to the System.

3.34 Information requested under Licence

If a User intends, pursuant to Standard Condition 8(2) [9.2.] of the Shipper's Licence, to refuse to provide any item of information requested by Transco, the User undertakes promptly:

- (i) to inform Transco of such intention;
- (ii) if requested by Transco, to discuss with Transco whether there is a form in which the information can be provided or alternative information which can be provided;
- (iii) if requested by Transco, to refer or cooperate with Transco in referring its refusal to the Director for determination under that Licence Condition.

3.45 Information from other persons

3.45.1 Subject to paragraph 3.5.2, each User will, in so far as lies within its power, cooperate with and provide reasonable assistance to Transco in obtaining information requested ~~under the Base Plan Assumptions~~ from persons not bound by the Code, including Delivery Facility Operators in respect of Connected Delivery Facilities at Aggregate System Entry Points ~~and Offtake System Operators in respect of Connected Offtake Systems at Connected System Exit Points~~ at which the User holds capacity and persons from whom the User has contracted to purchase gas, ~~suppliers to whom the User has contracted to sell gas and consumers who are customers of such suppliers or of the User directly.~~

3.45.2 Users will not be required pursuant to paragraph 3.5.1 to incur significant expenditure or to infringe any obligation of confidentiality or other obligation, and will not (by virtue of anything done pursuant to that

paragraph) be responsible for any information provided by any person (other than a User) referred to in that paragraph.

4 TEN YEAR STATEMENT AND TOP-UP ESTIMATES

4.1 Publication and content of Ten Year Statement

On the basis of the information provided by Users, other responses ~~to the Base Plan Assumptions~~ and other information available to it, Transco will prepare and by ~~30th November~~ March or such other date as may be required pursuant to the Transco Licence in year 0 publish the Ten Year Statement.

4.2 Top-up details

4.2.1 Transco will prepare and publish as ‘Top-Up Estimates’, by the time such estimates are required for the purposes of Section P (and accordingly before preparing the Ten Year Statement) estimates for year 1 of:

- (i) System 1-in-20 peak day demand and System 1-in-50 Severe Annual Demand, and
- (ii) maximum daily supply for the System as a whole,

which will, subject to paragraph 4.2.5, be the values thereof used for the purposes of the Code (including those of Section P).

4.2.2 The Top-Up Estimates will state the assumptions as to interruptible demand (in accordance with paragraph 2.1.3) and availability of gas for supply (in accordance with paragraph 2.2.2) made for the purposes of the estimates made pursuant to paragraph 4.2.1.

4.2.3 Without prejudice to the generality of paragraph 4.2.2, the Top-Up Estimates will include assumptions as respects demand and supply at any System Point at which an interconnector (connecting the System with a pipeline system in another country) is connected to the System.

4.2.4 The Ten Year Statement may contain up-dated details of the matters of which details for year 1 are contained in the Top-Up Estimates, notwithstanding which the details in the Top-Up Estimates will prevail for the purposes of the Code.

4.2.5 Transco may (but shall not be obliged to) revise estimates under paragraph 4.2.1, on any date from 1st May up to and including 1st October in year 1, for the purposes of Section P2.9.

Signed for and on behalf of Transco.

Signature:

Tim Davis
Head of Regulation NT&T

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0557**, version **1.0** dated **16/08/2002**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **1.0**.

Signature:

Process Manager - Network Code
Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriate

provided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.