

Stage 01: Proposal

Amendments to Section I of the OAD to reflect Offtake Profile Notice rules and recognition of different NTS/LDZ offtake sensitivities

What stage is this document in the process?

- 01 Proposal
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

This proposal has two central themes

- (i) Recognition that key NTS/LDZ offtakes need separate rules from the majority of offtakes when determining flow tolerance levels
- (ii) Amends a number of operational timeframes and inconsistencies to better reflect the working practices of NG NTS and GDNs



The Proposer recommends that this modification should follow the self governance route on the basis that it meets the self-governance criteria set out in the Licence



High Impact:
Insert name(s) of impact



Medium Impact:
National Grid NTS & GDNs



Low Impact:
Insert name(s) of impact

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About this document:

This document is a proposal, which will be presented by the Proposer to the Panel on 15 September 2011. The Panel will consider the Proposer's recommendation, and agree whether this self-governance modification should proceed to consultation or be referred to a Workgroup for assessment.



3 **Any questions?**

4 Contact:

5 **Joint Office**



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7



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10 Proposer:

10 **Insert name**



10 ...@...

11



0000 000 000

Transporter:

Insert name



...@...



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Insert name



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1 Summary

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Is this a Self-Governance Modification

The Proposer believes that this modification proposal should be subject to the self governance procedures as it meets the criteria for self-governance modification proposals as defined in Standard Special Condition A11(24)(a) of the Transporter's Licence

Why Change?

The Proposer's view is that the proposed Offtake tolerance rules will enable all Transporters to target those offtakes where the requirement to remain with agreed flow profile tolerances has a greater potential impact on the whole systems operation.

The suggested timeframes and other revised legal text provide a series of agreed working practices that better support the required processes outlined in OAD Section I

Solution

The relevant Supplemental Agreements will reference any NTS/LDZ offtake categorised as a 'Designated offtake'. All other NTS/LDZ or LDZ/LDZ offtakes will be determined as non designated.

The respective flow profile tolerances and associated Section I requirements will be set by the Offtake designation.

The list of designated offtakes and the relevant tolerances have been agreed by all Transporters. Any amendments to designations (categorisation or specific tolerance) can be raised by either Network at any time, but will only be altered with the agreement of National Grid NTS. Any 'new' NTS/LDZ offtake will have its designation agreed by both Networks

A number of other legal text changes are proposed;

- Lengthening the time for Transporters to provide revised OPNs where flow swaps between 2 offtakes are agreed between NTS and the GDNs
- Revising the rules so that both NGG NTS and GDNs can request / agree flow swaps provided that the LDZ aggregate rate of Offtake remains unchanged at LDZ level

Impacts & Costs

Each Transporter may require limited changes to existing systems. The cost of any changes will be borne by the relevant Transporter

Implementation

An implementation date of 1 January is sought. To facilitate this a decision to implement must be received by 23rd December 2011

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Failing this an implementation date of 1 February is sought. To facilitate this a decision to implement must be received by 23rd January 2011.

If a decision is reached after 23rd January, implementation 10 business days following the decision to implement

The Case for Change

The Offtake Arrangements Document currently sets out a series of clauses which were established pre Network sales in 2005, which reflected some working practices and anticipated the requirements of all Transporters when establishing the tolerances by which OPNs should operate within.

These new proposals reflect the evolving working practices which all Transporters acknowledge supersede those first captured in 2005.

Similarly, the proposed changes will allow all transporters to warrant their compliance with this area of the OAD, and not seek to secure compliance by creating unnecessary workarounds or seeking to adhere to rules that do not benefit any party.

Recommendations

The Proposer recommends this modification should be subject to the self governance process and proceed to consultation, having been exhaustively assessed within the Offtake Arrangements Workgroup (OAW) in over a dozen meetings in the twelve months to May 2011. OAW meetings will continue during the proposed consultation period allowing further examination of the proposal, if required.

2 Why Change?

Prevailing Offtake Tolerances

All NTS/LDZ offtakes are currently required to offtake gas within prescribed tolerances of the Prevailing Offtake Rate.

- ALL NTS/LDZ Offtakes Within 10% by offtake
- ALL LDZs Within 3% for all offtakes measured in aggregate in an LDZ.

It is not possible nor necessary for every offtake to be operated within these parameters for reasons set out below;

NTS/LDZ offtakes have different operational characteristics and significance to the National Transmission System.

NTS/LDZ offtakes are either controlled to a set pressure or volume:

Pressure controlled offtakes operate to maintain a set pressure at the outlet of the NTS / LDZ Offtake to satisfy the GDNs variable (daily) capacity needs. The rate of offtake is therefore directly driven by the downstream demand (customer profile). Pressure controlled offtakes



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generally have a small capacity that is likely to be of less significance to the NTS.

Volumetric controlled offtakes operate to maintain a set flow (volume per hour) through the offtake irrespective of downstream demand. Fluctuations in demand are satisfied through DN storage, often linepack storage within the pipeline. Volumetric offtakes are likely to have high capacities and have more significant impact on the NTS.

By agreeing designated offtakes with NG NTS, GDNs can focus its efforts on predicting and managing flows through these sites.

The proposal does stipulate the specific sites proposed as designated. It is anticipated this list may alter over time with new offtakes etc, therefore this list will be kept under review by all Transporters.

Alignment of OPN revision request criteria

There is an anomaly in Section I of the OAD (I 2.4.3 and I 2.5.3) which details arrangements for flow swaps requested by GDNs or NTS. Currently NGG NTS can request flow swaps provided that the aggregate OPN remains unchanged at LDZ level, whereas GDNs can only request flow swaps provided that the aggregate OPN remains unchanged within an NTS Exit Zone.

This proposal aligns the rules for both parties to flow swap at LDZ level.

3 Solution



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Key Proposal

The key proposal is to remove the one size fits all treatment of NTS/LDZ offtakes by categorising as either a;

- (i) Designated offtake or
- (ii) Non designated offtake

Each category will have a separate tolerance within which its daily OPN Submissions must operate

The remaining operational changes and solutions are clearly captured in suggested legal text in Section 8

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4 Relevant Objectives

Implementation is expected to better facilitate the achievement of **Relevant Objectives a, b, c, d, e and f.**

Proposer's view of the benefits against the Code Relevant Objectives

Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	Yes
c) Efficient discharge of the licensee's obligations.	
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	
f) Promotion of efficiency in the implementation and administration of the Code	Yes



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Insert text here

b) Coordinated, efficient and economic operation of

- (i) the combined pipe-line system, and/ or
- (ii) the pipe-line system of one or more other relevant gas transporters

The proposed changes allow Transporters to prioritise those Offtakes where operating to a required tolerance benefits the efficient operation of the Upstream and Downstream Transporter. Similarly, the efficiency of system(s) is improved by allowing flows to be transferred between offtakes within the LDZ at the request of either Transporter.

f) Promotion of efficiency in the implementation and administration of the Code

Amending the Offtake Arrangements Document to recognise agreed working practices and to support these practices by reference to the Supplemental Agreements promotes efficiency in the administration of the Code

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5 Impacts and Costs



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System Implications

The Proposer believes that there would be little or no system implications resulting from the implementation of this Modification Proposal as it would be aligning the OAD with existing or newly required operational practices

Costs

Indicative industry costs – User Pays	
Classification of the proposal as User Pays or not and justification for classification	
Not User Pays	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
All costs will be borne by the relevant Transporter	
Proposed charge(s) for application of Users Pays charges to Shippers	
Not applicable	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve	
Not applicable	

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	• none
Operational Processes	• low
User Pays implications	• none

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	• none
Development, capital and operating costs	• none
Contractual risks	• none

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Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:
<http://www.gasgovernance.co.uk/sites/default/files/0565.zip>

Impact on Users	
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">• none

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none">• medium: amendments may be required to DNCS reporting to capture the revised reporting requirements of this proposal.
Development, capital and operating costs	<ul style="list-style-type: none">• see above
Recovery of costs	<ul style="list-style-type: none">• none
Price regulation	<ul style="list-style-type: none">• none
Contractual risks	<ul style="list-style-type: none">• no additional contractual risks are identified within this proposal
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">• contractual obligations (OAD) are amended to reflect required operating parameters.
Standards of service	<ul style="list-style-type: none">• none

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none">• none
UNC Committees	<ul style="list-style-type: none">• none
General administration	<ul style="list-style-type: none">• none

Impact on Code	
Code section	Potential impact
TPD OAD Section I	<ul style="list-style-type: none">• High

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none">• None

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Impact on UNC Related Documents and Other Referenced Documents	
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	• None
Storage Connection Agreement (TPD R1.3.1)	• None
UK Link Manual (TPD U1.4)	• None
Network Code Operations Reporting Manual (TPD V12)	• None
Network Code Validation Rules (TPD V12)	• None
ECQ Methodology (TPD V12)	• None
Measurement Error Notification Guidelines (TPD V12)	• None
Energy Balancing Credit Rules (TPD X2.1)	• None
Uniform Network Code Standards of Service (Various)	• None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	• None
Gas Transporter Licence	• None

Other Impacts	
Item impacted	Potential impact
Security of Supply	• None
Operation of the Total System	• None
Industry fragmentation	• None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	• None



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6 Implementation

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Implementation is not linked to any specific industry event or date, however all Transporters believe there is merit in implementation being made as soon as reasonably practicable

As self-governance procedures are proposed, implementation will be 16 business days after a Modification Panel decision to implement.

7 The Case for Change

The proposer has not identified any additional advantages to those detailed in the proposal. No disadvantages have been identified.



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8 Legal Text

The suggested legal text sets out the proposed changes to the OAD (amendments in red, deletions struck through)

1.2.1 In this Section I:

- (a) *references to Offtakes are to NTS/LDZ Offtakes;*
- (b) *a reference (in relation to an LDZ or NTS/LDZ Offtake(s) serving an LDZ) to the aggregate offtake or rate of offtake is a reference to the aggregate, for all NTS/LDZ Offtakes serving the LDZ, of the offtakes or rates of offtake.*
- (c) *references to Designated Offtakes are to NTS/LDZ Offtakes as agreed and referenced in the Offtake Supplemental Agreement*

2.3.5 The DNO may not submit a revised Offtake Profile Notice in relation to any Offtake:

~~(a) more frequently than once in each hour of the clock~~

~~(b) (a) so as to change the rate of offtake other than with effect from an exact hour of the clock; or~~

~~(c) later than 04.00 on the gas flow day~~

2.4.4 To the extent to which the revision by the DNO of any Offtake Profile Notice(s) in compliance with National Grid NTS' request would infringe any of the requirements of this paragraph 2 or TPD Section J4.5.2, National Grid NTS shall be deemed to have waived such other requirements (on the assumption that the DNO submits such revised Offtake Profile Notice(s) for Designated Offtakes within 30 minutes after 15 minutes the nearest full hour after National Grid NTS request is made)

2.5.2 A DNO's request shall specify:

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~~(a) the Operational circumstances giving rise to to the DNO's request~~

(a) the Offtakes and LDZ in respect of which such revision is requested

(b) the times with effect from which the DNO wishes to revise the relevant rates of offtake; and

(c) the revised rates of offtake requested.

2.5.3 Any request by a DNO for the revision of any Offtake Profile Notices shall satisfy the requirement that, for all times in the Day, the aggregate, in respect of all Offtakes (serving the same ~~LDZ NTS Exit Zone~~) for which such request is made, of the revised rates of offtake requested is the same as the aggregate rates of offtake under the prevailing Offtake Profile Notices at the time the request is made.

3.1 Offtake tolerances

3.1.1 This paragraph 3.1 sets out the tolerances referred to in TPD Section J4.6.2, and any **Offtake Designations referenced in the relevant Offtake Supplemental Agreement**

3.1.2 For the purposes of TPD Section J4.6.2(a), the tolerance, in respect of the offtake of gas at a **Designated Offtake** ~~is 0.3 mcmd 10% of the Prevailing Offtake Rate or as~~ **is set out in the relevant Offtake Supplemental Agreement**

3.1.3 For the purposes of TPD Section J4.6.2(b), the tolerance in respect of the offtake of gas in aggregate at all of the offtakes **(served by two or more offtakes)** which serve the LDZ is 3% of the aggregate of the Prevailing Offtake Rate

3.1.4 For the purposes of TPD Section J4.6.2 (b) the tolerance in respect of the offtake of gas in aggregate at all of the offtakes (served by any LDZ where the total daily throughput of the highest measured NTS/LDZ Offtake flow is <90% of the aggregate LDZ throughput) is 3% of the Prevailing Offtake Rate

3.1.5 Rules in 3.1 will apply between 0800 and 0400 on any Gas day

9 Recommendation

The Proposer invites the Panel to:

- DETERMINE that Modification progress to Consultation based on the scrutiny and hours of development this proposal has been already subject to since Summer 2010.



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delete box]
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