

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0669
"Maximising Availability of Interruption for Security of Supply Purposes"
Version 1.0

Date: 13/11/2003

Proposed Implementation Date: 01/12/2003

Urgency: Urgent

Justification

NGT recently published their Winter Operations Report 2003/2004. This presented analysis and gave an overview of expected conditions in electricity and gas for this winter. The report was based on the most recently available information and looked at interactions between electricity and gas. It was noted that the generation margin for this winter is much lower than in previous years. Whilst there should be sufficient to meet forecast demand under normal conditions there is reasonable concern regarding ability to meet electricity and gas demand under more severe conditions e.g. colder than normal weather, lower than expected beach gas deliveries, depletion of gas in storage and failure of interconnector. Ofgem and NGT are seeking measures to improve security of supply and bolster their cushion of reserve for this winter.

NGT indicated in the Winter Operations Report that Transco interruption would be necessary to balance gas supply and demand, alleviate constraints and provide reserve. Modelling indicated that even under a 1-in-10 cold winter many days of interruption could be expected. If the level of beach gas supply drops, the weather is more severe or there is a prolonged cold spell, the number of potential days of Transco interruption could be expected to increase. Under prolonged cold conditions it might be expected that some or all interruptible CCGT generation would be interrupted, reducing the available generation by up to 8.6GW. Under certain circumstances this could reduce the generation surplus to a deficit.

We believe more robust arrangements are required to protect and maximise Transco's ability to use interruption to manage constraints, balance the system and maintain security of supply. We believe Transco should also be able to consider the impact on the electricity market. In particular we believe NGT should be able to maximise output from CCGTs, particularly over key periods, to avoid a generation deficit and protect their ability to manage the gas system. We believe co-ordinated action would improve the extent to which NGT can maintain and operate an efficient and economic system, it would allow them to better protect the interests of electricity and gas customers and meet security of supply obligations.

Nature of Proposal

It is proposed that a new general condition is inserted under the Network Code, to ensure that shipper interruption under the legacy BG Long Term Interruptible gas supply agreements does not restrict or compromise Transco's or NGC's ability to use interruption to balance the system, manage constraints, provide reserve or maximise

CCGT output. To ensure this can be achieved further specific provisions are proposed which would restrict the ability to interrupt gas supplies to Supply Points relating to CCGT power stations under these agreements at times of potential stress in gas and electricity systems.

We believe proposals will help ensure Transco and NGC can continue to meet their relevant objectives over this coming winter, operating the system in an efficient, economic and co-ordinated manner and ensuring security of supply can be maintained.

In particular it is proposed that shipper interruption under the legacy BG Long Term Interruptible gas supply agreements should be prevented under any of the following conditions:

- Over the electricity peak demand hours of 15:00 - 21:00.
- On any day or part thereof where a System Warning has been issued by NGC. An NGC System Warning can be issued where there is an Inadequate System Margin, High Risk of Demand Reduction, Demand Control Imminent or Risk of System Disturbance.
- On any day in respect of which the gas Forecast Total System Demand exceeds 85% of System 1-in-20 peak day demand.

In this way generation output can be secured or maintained to meet electricity demand at times of recognised stress, thus maintaining security of supply. Also Transco's options for interruption for constraint management, system balancing or reserve purposes can be maximised. Transco will also have greater certainty of outcome

Purpose of Proposal

Implementation of this Modification Proposal would provide NGT with additional measures to bolster security of supply for this and future winters, maximising availability of gas fired generation to meet demand on the electricity network, securing availability of interruption on the gas network to manage constraints, balance or provide reserve. It would allow NGT to give greater consideration to interactions between electricity and gas to maximise efficiency and security of supply on both networks, protecting interests of customers.

Consequence of not making this change

Failure to implement this proposal would restrict Transco's access to interruption for gas transportation, balancing or reserve purposes and potentially reduce the availability of gas fired generation to meet electricity demand at critical times, potentially threatening security of supply on both networks.

Area of Network Code Concerned

Section G6

Proposer's Representative

Rhys Stanwix (Scottish And Southern Energy plc)

Proposer

Rhys Stanwix (Scottish And Southern Energy plc)

Signature

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