

Workstream Report

0038 Provision of Information to Support Development of the NTS Investment Programme

Version 1.0

This Workstream Report is presented for the UNC Modification Panel's consideration. This report sets out the views of the Proposer as recorded in its Proposal. The consensus of attendees at the Workstream was that this Modification Proposal is sufficiently developed to proceed to consultation.

1. The Modification Proposal

The Proposal was as follows:

“It is proposed to extend the provisions of the Uniform Network Code (UNC) to facilitate the exchange of NTS/LDZ offtake data on a five-year rolling basis between Transco NTS and DNO Users. In particular that:-

- DNO Users provide to Transco NTS on an annual basis detailed flow forecasts for each of its NTS/LDZ offtakes for each Gas Year commencing at the start of the following Gas Year Y up to and including Gas Year Y+5. Such information would contain the DNO User's indication of its capacity requirements in the form of the volume flow rate (in MCM/day), peak rate and the Offtake Flexibility Quantity (in MCM/day) at the following demand levels:
 - 1-in-20 peak day demand
 - Day 13 of the severe load duration curve
 - Day 46 of the average load duration curve
 - Day 150 of the average load duration curve
 - Day 300 of the average load duration curve

This would indicate the anticipated distribution of offtake flow requirements across the NTS/LDZ offtakes in an LDZ together with an indication of expected 'NTS diurnal offtake'; and

- Transco NTS provides to DNO Users (in response to the DNO User's detailed flow forecasts) its forecast of the availability of NTS Offtake (Flat) Capacity, NTS Offtake (Flexibility) Capacity and Assured Offtake Pressure in respect of each of its NTS/LDZ offtakes for each Gas Year commencing at the start of the following Gas Year Y up to and including Gas Year Y+5 where the DNO User has not already been allocated capacity entitlements at the NTS/LDZ offtake for any such year.

Similar information was exchanged within the integrated Transco organisation prior to implementation of the Uniform Network Code (referred to as “PS3” statements) to inform the formulation of the 5-year NTS and LDZ investment programmes.

To allow timely development of the NTS investment programme, the detailed flow forecast statements would need to be provided by each DNO User to

Transco NTS by 31 July in each Gas Year. On a transitional basis for 2005 only, it is proposed that this information is provided by 15 September 2005 (or the day immediately following the implementation date in the event that the implementation date is beyond 14 September 2005). In light of the compressed timescales that will be necessary this year, it is proposed that the information to be provided to Transco NTS will be in respect of the 1 in 20 peak day demand level only.

Transco NTS would then provide DNO Users with the forecast NTS Offtake Capacity and pressure information by 30 September each year. On a transitional basis for 2005 only, it is proposed that this information is provided by 15 October 2005 (or the 1 month following the implementation date in the event that the implementation date is beyond 14 September 2005).

Transco NTS considers that similar flow forecast information in respect of all NTS direct connects (i.e. NTS supply points, NTS CSEPs, and Interconnectors) is beneficial to support the formulation of the 5-year NTS investment programme. Under the UNC, Shipper Users are required to provide this information for Gas Years Y, Y+1, and Y+2 only. To improve consistency with the proposed detailed flow forecast statements for NTS/LDZ offtakes, it is proposed that indicative flow information in respect of Gas Years Y+3 and Y+4 is provided by Shipper Users to Transco NTS on a voluntary basis. In recognition of the fact that direct connects are only supplied through single offtakes, the information to be provided would be limited to peak flow conditions only.

This Proposal should be implemented in the timescales identified so that Transporters would have the enhanced level of information that was available prior to separation of transportation and distribution to assist making the most efficient and economic investment decisions and ensure compliance with their respective Safety Cases.”

2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives

The Proposer considered that “this Proposal would, if implemented, better facilitate the following Relevant Objective(s) as set out in its Gas Transporters Licence:

- in respect of Standard Special Condition A11 paragraph 1(a), the Proposal would provide Transco NTS with enhanced NTS demand forecast information to improve its investment decisions which would better facilitate the efficient and economic operation of the NTS pipeline system.
- in respect of Standard Special Condition A11 paragraph 1(b), the Proposal would provide all transporters with enhanced forecast information to improve their investment decisions which would better facilitate the coordinated efficient and economic operation of the combined pipeline system and the pipeline system of one or more other relevant gas transporters; and
- in respect of Standard Special Condition A11 paragraph 1(c) the efficient discharge of the licensee’s obligations under this licence”

By encouraging economic and efficient development of the pipeline system, implementation of the Proposal would also be expected to facilitate the relevant objective of compliance with Licence obligations.

By encouraging the efficient provision of physical capacity to support the transportation of gas, implementation of the Proposal might be expected to facilitate competition between Relevant Shippers and between Relevant Suppliers.

3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

The Proposer considered that “implementation of this Proposal would benefit security of supply by ensuring Transporters receive forecast offtake information to support undertaking investment decisions to be made in a timely manner and ensure sufficient transportation capability is available to meet the peak demand.” Industry fragmentation would not be adversely affected.

4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including

a) implications for operation of the System:

The Proposer did not believe “this Proposal, if implemented, would adversely affect the operation of the System.”

b) development and capital cost and operating cost implications:

The Proposer believed that “this Proposal, if implemented, would facilitate the efficient and economic formulation of each Transporter’s 5 year investment programmes, thereby allowing investments to be undertaken in a more cost effective and efficient manner.” It would also facilitate the DNs in taking economic and efficient investment decisions regarding how to meet peak demands on their systems.

c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

The Proposer did not believe “this Proposal, if implemented, requires it to recover any additional costs.”

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

The Proposer did not believe “this Proposal, if implemented, would have any consequences on price regulation.”

5. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

The Proposer considered that “implementation of this Proposal would have no effect on the level of contractual risk of each Transporter.”

6. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other

implications for the UK Link Systems and related computer systems of each Transporter and Users

The Proposer did not “envisage any impact on the UK Link System if this Proposal were to be implemented.”

7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

The Workstream was unaware of any such short term implications so long as the provision of additional information is voluntary. In the longer term, economic and efficient system development should ensure operational costs for Shippers in the form of transportation charges are at an appropriate level.

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

The Workstream was unaware of any such implications.

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

The Workstream was unaware of any such implications.

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

Advantages

The Proposer believed that implementation of this Proposal would:

- codify “the exchange of information between Transporters on an NTS/LDZ offtake specific basis that was available within the integrated Transco organisation prior to separation of transportation and distribution, thus facilitating the efficient and economic formulation of each Transporter’s 5 year investment programme”; and
- afford “the opportunity to Shipper Users at NTS direct connects to participate in the forecast demand process to assist the efficient and economic development of the NTS.”

Disadvantages

- Provided the provision of information by directly connected loads is voluntary, the Workstream was unaware of any disadvantages.

11. Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the report)

This report reflects issues raised at Workstream meetings. No written representations have been received.

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

The Proposer has identified that information to be provided as a consequence of implementation would ensure that Transporters would have the enhanced

level of information that was available prior to separation of transportation and distribution to “ensure compliance with their respective Safety Cases”.

- 13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence**

The Workstream is unaware of any such requirement.

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

The Workstream is unaware of any such requirement.

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

The Proposer recommended a 14 September 2005 implementation date.

- 16. Implications of implementing this Modification Proposal upon existing Code Standards of Service**

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

- 17. Workstream recommendation regarding implementation of this Modification Proposal**

The consensus of attendees at the Distribution Workstream meeting on 28 July 2005 was that implementation of this Modification Proposal would be expected to better facilitate achievement of the Relevant Objectives.

- 18. Text**

The following legal text has been provided by the Proposer, to which three minor changes are anticipated and for which a revised version will be provided shortly:

UNIFORM NETWORK CODE - TPD Section O

Amend paragraph 3.2.1(a) as follows:

“(a) estimates for years 1-3 (and may provide estimates for years 4 and 5) of 1-in –20 peak day...Points;”

UNIFORM NETWORK CODE – GENERAL TERMS Section C

Paragraph 2.6.4

Add new sub paragraphs 2.6.4 (e) to (g) as follows

“(e) “**peak rate**” is the maximum instantaneous rate of offtake (expressed in MCM per hour) at which gas is or is likely to be offtaken at the NTS/LDZ Offtake;

(f) “**1 in 50 load duration curve**” is that curve which, in a long series of years (commencing on 1 October 1927), with connected load held at the levels appropriate to the year in question, would be such that the

volume of demand above any given demand threshold (represented by the area under the curve and above the threshold) would be exceeded in one out of 50 years;

- (g) “**average load duration curve**” is that curve which, in a long series of years (commencing on 1 October 1987), with connected load held at the levels appropriate to the year in question, would be such that the volume of demand above any given demand threshold (represented by the area under the curve and above the threshold) would be the mean volume over such long series of years.”

UNIFORM NETWORK CODE – OFFTAKE ARRANGEMENTS DOCUMENT

SECTION H - NTS LONG TERM DEMAND FORECASTING

Section H Paragraph 2.1

Paragraph 2.1.1 (f), delete “and” after “2.5;”

Paragraph 2.1.1 (g), add “and ” after Years 0 to 9;”

Add new paragraph 2.1.1 (h) to read:

“2.1.1 (h) the DNO shall provide forecast offtake information relating to Gas Years 1 to 5 in accordance with paragraph 2.7.”

Paragraph 2.1.2 Insert an additional row to the Table to read :

2.1.1(h)	DNO provides forecast offtake information	The end of July
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Add new paragraph 2.7 to read:

“2.7 Forecast Offtake Information

2.7.1 The information to be provided by the DNO is the forecast rate of volume flow (MCM per day), peak rate (MCM per hour) and Offtake Flexibility Quantity (MCM per day) in respect of each of its NTS/LDZ Offtakes at various levels of demand as specified in Part 3 of Annex H-1.”

UNIFORM NETWORK CODE – TRANSITION DOCUMENT

PART IIC – TRANSITION RULES

Add new Paragraph 1.7 to read:

“ 1.7 OAD Section H : NTS Long Term Demand Forecasting

1.7.1 OAD Section H paragraph 2.7

By 1 September 2005 the DNO shall provide to Transco NTS the forecast rate of volume flow (MCM per day) and Offtake Flexibility Quantity (MCM per day) in relation to a 1 in 20 peak day in respect of each of its NTS/LDZ Offtakes for each of the five Gas Years commencing with the Gas Year ending 30 September 2006 and ending with the Gas Year ending 30 September 2010;

Annex H –1, add new Part 3 to read:

“Part 3 - Forecast Flow Information to be provided by DNO

NTS/LDZ Offtake	Gas Year	Assumed calorific value	Level of demand for gas (ref. Note 1)	Data elements required per demand level
			1 in 20 peak day demand	Forecast rate of volume flow (MCM/day)
			Day 13 of 1 in 50 load duration curve	peak rate (MCM/hour)
			Day 46 of average load duration curve	Offtake Flexibility Quantity (MCM/day)
			Day 150 of average load duration curve	
			Day 300 of average load duration curve	

Note 1 – 1 in 20 peak day demand and Day 13 assume all interruptible load is not supplied. Day 46, Day 150 and Day 300 assume all interruptible is supplied.”