

CODE MODIFICATION PROPOSAL No. 0050
"Storage Monitor Adjustment"
Version 2.0

Date: 26/09/2005

Proposed Implementation Date: 01/11/2005

Urgency: Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

Transco NTS* requests Urgent status in respect of this Proposal on the basis that it believes the proposed change to the conditions under which the notification of changes to the Safety and/or Firm Gas Monitor* levels may be made should be implemented in time for Winter 2005/06.

Transco NTS is concerned that current rights under the Uniform Network Code (UNC) in relation to the upward adjustment of the Safety and/or Firm Gas Monitor levels are potentially inconsistent with the obligations placed on it by the GS(M)R to take appropriate actions to minimise the risk of a Network Gas Supply Emergency (NGSE)*.

In order to provide sufficient time for the industry to put the required arrangements in place for this coming winter Transco NTS believes that the decision on this Proposal should be provided as a matter of urgency.

Nature and Purpose of Proposal (including consequence of non implementation)

“Defined Terms. Where UNC defined terms are included within this Proposal the terms shall take the meaning as defined within the UNC. Key UNC defined terms are highlighted by an asterisk (). This Proposal, as with all Proposals, should be read in conjunction with the prevailing UNC.*

This Proposal seeks to:

Amend the circumstances under which Transco NTS may notify to Users*, adjustments made to the Safety and/or Firm Gas Monitors under paragraph 5.2.5 of Section Q – Emergencies, of the Uniform Network Code. This paragraph currently enables Transco NTS to reduce or reallocate the Monitors in certain circumstances. The Proposal seeks to extend this ability to enable Transco NTS to increase or reduce these Monitors where necessary, to reflect changes in Transco NTS's estimates of expected deliveries to or offtakes from the Total System*.

Background:

To ensure that sufficient gas is held in storage to preserve the ongoing safe operation of the gas transportation system, and to ensure continued supplies to domestic, NDM and other priority loads, the concept of Safety Monitors was introduced into the Network Code in October 2004. The UNC requires Transco NTS to publish the Safety Monitors by 1 October in each gas year in respect of each Storage Facility* type; Long Duration Storage (Rough), Medium Duration Storage (MRS) and Short Duration Storage (LNG).

In addition, the UNC requires Transco NTS to calculate and publish Firm Gas Monitors based upon the forecast of Annual Firm Severe Demand*. The Firm Gas Monitors are published solely for the purpose of providing further information to the market, whereas Transco NTS will use the Safety Monitors as the trigger mechanism for taking additional action to avoid an actual NGSE (as defined in the GS(M)R).

Following publication of the Monitors, Transco NTS keeps under review the information upon which the monitors have been calculated and may as a result of the analysis undertake a number of actions as described in paragraph 5.2.5 of section Q.

These are:

- a. reallocate the Safety Monitor and/or the Firm Gas Monitor between Storage Facility Types in order to enhance the security provided by current storage stocks;
- b. reduce a Safety Monitor and/or a Firm Gas Monitor to reflect longer-term demand forecasts (for example, during the later Days of the Winter Period); and
- c. adjust a Safety Monitor and/or a Firm Gas Monitor to reflect the occurrence of severe weather.

The result of these actions is that the aggregate level of the Safety Monitors and/or Firm Gas Monitors during the course of the winter will be maintained or reduced; the possibility of increasing the aggregate level of the monitors is excluded from the existing range of options.

However the preclusion of an upward adjustment in the aggregate level of the Safety and Firm Gas Monitors raises a potential discrepancy between Transco NTS rights under the UNC and its obligations under The Gas Safety (Management) Regulations.

Under GS(M)R Transco NTS is required to take action to minimise the risk of a NGSE. This is the obligation that drives Transco NTS approach to the Safety Monitors. An implication of this is that Transco NTS is obliged to keep the Safety Monitors under review and to make changes where necessary.

The data used in the assessment of the monitors is necessarily uncertain as it reflects the best information available at the time the monitors are set. New information may require Transco NTS to reassess and re-set the monitors at a later date. Transco NTS is therefore seeking this UNC modification to bring its rights under the UNC in line with its obligations under the GS(M)R.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

Transco NTS considers that this Proposal, if implemented, would better facilitate the following relevant objective as set out in our GT Licence:

In respect of paragraph 1.c): Transco NTS considers that this Proposal might improve, *“the efficient discharge of the licensee’s obligations under this licence”*. The Proposal would improve the Transporter’s ability to comply with its licence obligation to operate the pipe-line system in a safe manner.

In respect of paragraph 1.e): Transco NTS considers that this Proposal might improve, *“the 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". The Proposal would increase the Transporters ability to ensure that the supply security standards are met.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

Proposed Timetable

Sent to Ofgem requesting Urgency	21/09/2005
Ofgem grant Urgent status	26/09/2005
Proposal issued for consultation	26/09/2005
Closeout for representations (10 working day consultation)	10/10/2005
FMR issued to Joint Office	17/10/2005
Modification Panel Recommendation	24/10/2005
Ofgem decision expected	01/11/2005

Proposed Draft Legal Text

UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL DOCUMENT

SECTION Q - EMERGENCIES

Amend paragraph 5.2.5 to read as follows:

"5.2.5 Transco NTS will keep under review the information previously notified pursuant to paragraphs 5.2.1, 5.2.2 and/or 5.2.3, together with any information available to Transco NTS in respect of its estimates of expected deliveries to or offtakes from the Total System, and may:

- a) reallocate the Safety Monitor and/or the Firm Gas Monitor between Storage Facility Types in order to enhance the security provided by current storage stocks;
- b) reduce a Safety Monitor and/or a Firm Gas Monitor to reflect longer-term demand forecasts (for example, during the later Days of the Winter Period); ~~and~~
- c) adjust a Safety Monitor and/or a Firm Gas Monitor to reflect the occurrence of severe weather; and
- d) increase or reduce (as the case may be) a Safety Monitor and/or a Firm Gas Monitor to reflect any change in Transco NTS's estimates of expected deliveries to or offtakes from the Total System."

Code Concerned, sections and paragraphs

Transportation Principal Document
Section Q - Emergencies 5.2.5

Proposer's Representative

Richard Hewitt (National Grid Transco - UKT)

Proposer

Simon Griew (National Grid Transco - UKT)

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