CODE MODIFICATION PROPOSAL No. 0062

"Introduction of a Gas Balancing Alert"
Version 2.0

Date: 07/11/2005

Proposed Implementation Date:

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)

National Grid NTS requests Urgent status in respect of this Proposal on the basis that it believes the proposed introduction of a Gas Balancing Alert (GBA) should be implemented prior to the Winter 2005/06 peak demand periods, in order to provide the contractual trigger requested by Users* and major gas consumers through discussion within the Ofgem chaired Demand Side Working Group (DSWG).

National Grid NTS believes that the GBA will act as a signal that demand reduction is likely to be required and will assist the industry in taking appropriate actions to minimise the risk of a Network Gas Supply Emergency * (NGSE).

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.

The Winter Outlook Report published recently by National Grid NTS, highlighted the importance of demand response in maintaining the balance of the Total System* during periods of high demand. Concern has been raised at forums such as the Ofgem chaired Demand Side Working Group, that certain major gas consumers or groups of consumers would be willing to be interrupted if National Grid NTS (or another body independent from Users) signaled that there was a higher likelihood of demand side response being required in order to help support the Total System* and avoid entering a NGSE.

The Proposal is that National Grid NTS ~~issue a Gas Balancing Alert (GBA) during D-1* when the Total~~ will issue a GBA during D-1 when the System demand forecasted at 14:00 hours or 02.00 hours for Gas Day D, that identifies *Forecast Total System Demand is greater than or equal to the anticipated available supplies. The anticipated available supplies shall be adjusted to remove the contribution from the various types of storage as the storage stock levels get to within ~~2~~two days (at maximum withdrawal~~delivery~~ rates) of the applicable Safety Monitor* for each Storage Facility Type*. Once issued, the GBA would remain in place for the duration of the ~~relevant~~ Gas Day* regardless of any subsequent notification of available supplies or change in forecasted demands.

There is an additional option that National Grid NTS believes could be considered by the interested parties during the consultation period for this Proposal. This option is that the GBA may also be issued within the Day* if;

(a) there is an incident or event notified to National Grid NTS that in its reasonable opinion, was anticipated to result in an end of day loss of available supplies of 25 mcm or greater, and;

(b) the end-of-day loss subsequently results in the remaining anticipated available supplies as being less than or equal to the Forecast Total System Demand*.

This option might be included in the implementation of this Proposal and to this end, National Grid NTS would seek to discuss the option in a UNC Transmission Workstream during the consultation period.

National Grid NTS ~~welcome~~ would also appreciate respondent's views on this additional option in their representations to this Proposal.

National Grid NTS believes that the attendees at the DSWG and Transmission Workstream consider that the GBA would act as a signal to Users and major gas consumers that there is a higher likelihood of demand response being required. It also could be used by Users and consumers as a trigger, within their gas supply contracts, to allow the User to interrupt the consumer, thereby releasing the gas that would have otherwise been used to supply this consumer, to be offered to the market and to aid the balance of the Total System.

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

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

In respect of paragraph 1.a): National Grid NTS considers that this Proposal may improve *"the efficient and economic operation of the pipe-line system"*. The Proposal could facilitate consumers and Users in working together to provide demand reduction to the market at the time when the Total System most requires it.

In respect of paragraph 1.e): National Grid 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"* by increasing the information available to industry parties thereby facilitating a timely response to secure sufficient supplies to meet demands.

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

a. Proposed implementation timetable

National Grid NTS requests that the Authority considers approval of the following proposed timetable:

Sent to Ofgem requesting Urgency	01/11/2005
Ofgem grant Urgent status	02~~1~~/11/2005

Workstream discussion	03/11/2005
Proposal issued for consultation	07~~1~~/11/2005
Closeout for representations	21~~15~~/11/2005
FMR issued to Joint Office	24~~1~~/11/2005
Modification Panel Recommendation	01~~25~~/12~~1~~/2005
Ofgem decision expected	05~~30~~/12~~1~~/2005

b. Proposed legal text

TPD Section V

Insert the following as new paragraph 5.9.3:

"5.9.3 National Grid NTS shall issue (by means of publication on its website) an alert (a "**Gas Balancing Alert**") where, after forecasting demand for a Gas Flow Day in accordance with Section H 5.2.3 on the Preceding Day, the Forecast Total System Demand for the Gas Flow Day in question is greater than or equal to the Forecast Total System Supply for such Gas Flow Day. Where a Gas Balancing Alert is issued, it shall remain in force until the end of the Gas Flow Day to which it applies. For the purposes of the Code:

(a) "**Forecast Total System Supply**" means the anticipated maximum daily supply to the Total System for the Gas Flow Day in question plus the sum of the quantity of gas that could be withdrawn from each Storage Facility Type and delivered to the Total System on such Gas Flow Day without breaching the relevant Two Day Monitor Level; and

(b) "**Two Day Monitor Level**" means, in respect of a Storage Facility Type, a quantity of gas equal to the Safety Monitor for that Storage Facility Type plus the quantity of gas that could be withdrawn from that Storage Facility Type in two (2) Days at the maximum withdrawal rate applicable to that Storage Facility Type."

NB: This version of the proposed legal text does not include the within day GBA option. This text will be amended in due course if necessary.

c. Advantages of the Proposal

National Grid NTS believes that the DSWG and attendees of the Transmission Workstream consider that the provision of a Gas Balancing Alert as detailed in this Proposal will provide an additional signal to Users and end consumers, in a timely fashion, that demand response is likely to be required in order to maintain the balance of the Total System. If implemented the GBA would provide a potential additional trigger for Users and major gas consumers to initiate appropriate demand side reductions.

Advantages of the within Day GBA option

If Users and gas consumers utilise the GBA as a trigger, within their gas supply contracts, for offers of demand side response to be made, then the Total System may be prevented from accessing this demand response prior to a NGSE (Stage 1) being declared unless National Grid NTS is able to trigger a GBA within Day. This option allows National Grid NTS to trigger such a GBA and therefore access these demand side offers.

d. Disadvantages of the Proposal

The GBA signals a higher likelihood that the Residual Balancer may be required to complete Eligible Balancing Actions* and may therefore be considered as a distressed buyer. This may in turn lead to a resetting of trade offer prices and therefore lead to greater balancing costs and higher System Clearing Charges*.

Disadvantages of the within Day GBA option

Significant within day events are already signaled to Users via the Active Notification System (ANS)*. ANS messages are published on the National Grid NTS web site, a within Day GBA would duplicate this process and may therefore be considered to be of little additional value.

Several consumer representatives at the DSWG and Transmission Workstream have stated that for many major consumers a within day signal would be of little use as several hours notice are required in order to reduce gas usage in a controlled and safe fashion.

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

The Proposal, by encouraging demand response and signaling, in advance (D-1), that there will be a higher likelihood of such a requirement, would facilitate end consumers and Users to prepare for and plan to reduce their gas consumption thereby enhancing the security of supply on the Total System.

f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including

i. implications for operation of the System

By facilitating the preparation for demand response prior to it being required the Proposal will enable end consumers who are unable to respond at short notice periods, to participate in the market, thereby improving the security of supply on the Total System

ii. development and capital cost and operating cost implications

National Grid NTS has already commenced improvements to its information provision web pages. The GBA will be included within this programme at no additional cost.

iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs

iv. analysis of the consequences (if any) this proposal would have on price regulation

g. 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 Proposal will have no impact in this area.

h. 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 Proposal will have no impact in this area.

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

The Proposal, if implemented, should make Users processes, for accessing demand response and communicating with their customers a requirement for demand response, more efficient.

Code Concerned, sections and paragraphs

UNC TPD
V

Proposer's Representative

Chris Logue (National Grid NTS)

Proposer

Richard Hewitt (National Grid NTS)

Signature

.....