

CODE MODIFICATION PROPOSAL No. 0090
"Revised DN Interruption Arrangements"
Version 2.0

Date: 17/10/2006

Proposed Implementation Date: 01/04/2007

Urgency: Non-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)

Please note that this proposal has been developed with the support of the other Distribution Network Operators: Northern Gas Networks, Scotia Gas Networks and Wales & West Utilities

On raising the Proposal, the Proposer sought that this Modification Proposal proceed to a Development Work Group prior to consultation, in accordance with Section 7.2.3 of the Modification Rules in the UNC. The Workgroup has now met and the Proposer now believes the Proposal is ready to proceed to consultation. Also, change of this magnitude would include Licence changes and implementation of this Proposal should not take place until the associated Licence changes have been agreed.

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

This Proposal seeks to introduce revised DN Interruption arrangements that would allow DN Operators (DNs) to determine the quantity of interruption they require on their networks and allow Users more flexibility to request their preferred interruptible terms.

Proposed Business Rules are attached to this Proposal but essentially the key features of the Proposal, which relate solely to DN connected supply points, are:

- 1.1 The revised Interruptible Capacity arrangements described in this Proposal will not supersede the established Emergency Arrangements described in Section Q of the UNC.
- 1.2 The existing Firm LDZ Capacity booking arrangements will not be changed.
- 1.3 The existing UNC arrangements for requesting a switch from Interruptible to Firm will continue to apply outside the Interruptible Application Process described in this document.
- 1.4 Arrangements for requesting a switch from Firm to Interruptible will only be via the Interruptible Application Process.
- 1.5 Applications for Interruptible LDZ Capacity and management of Interruption will continue on an individual Supply Point basis.
- 1.6 Users will be able to apply for Interruptible LDZ Capacity through the Interruptible Application Process in respect of all relevant Supply Points and CSEPs with an AQ greater than 5,860,000 kWh, both Firm and Interruptible.

- 1.7 Annual applications for Interruptible LDZ Capacity will occur each year, at least three (3) Gas Years ahead of the applicable Gas Year, for example June 2007 for the Gas Year starting October 2010.
- 1.8 DNs may be permitted to tender for Interruptible rights in timescales shorter than three (3) Gas Years through the ad hoc Interruptible Application Process.
- 1.9 Users will be able to register Interruptible LDZ Capacity through the annual Interruptible Application Process for multiple Gas Years, up to and including five (5).
- 1.10 Users will be able to apply for “n” maximum Days of Interruption for each Supply Point per annum.
- 1.11 Each Transporter will publish its Interruption requirements on a location by location basis and offer Interruptible LDZ Capacity based on a range of maximum Interruptible Days, say five (5), fifteen (15), thirty (30) and forty five (45) Days. Compensation payments for Interruptible rights would be dependent on the permitted number of Days of Interruption per annum and location.
- 1.12 Interruption payments by DNs to Users will be based on an option and exercise scheme where the option fee will be a monthly payment and the exercise fee will be payable for each Day that Interruption was incurred. The charging methodology will be described in a statement provided by each Transporter in a form approved by the Authority.
- 1.13 The Transporter will be permitted to reject an application for Interruptible LDZ Capacity if the application was not required to maintain its required transportation capability.
- 1.14 A User at a New Supply Point, that is New after the Interruptible Application Process has begun, will be Firm if the LDZ Capacity is available; otherwise, the Supply Point will be allocated the required number of Interruptible Days to maintain the Transporter’s required transportation capability and will receive the associated compensation payment, as set out in the Transporter’s relevant statement.
- 1.15 The User can then enter the next available Interruptible Application Process to obtain revised terms although the required number of Interruptible Days will apply until the revised terms take effect.
- 1.16 All Users will pay Firm LDZ Capacity charges (from 2010) and those Users that obtain Interruptible LDZ Capacity will receive a compensation payment for Interruptible rights as set out in the Transporter’s relevant statement.
- 1.17 There will not be a facility for Users to enter into Interruptible Partnering Arrangements (ref UNC Section G6.1.3).
- 1.18 The classification of Network Sensitive Loads (NSLs) and Transporter Nominated Interruptibles (TNIs) will no longer apply.
- 1.19 Section I5 of the Offtake Arrangements Document relating to Interruption for NTS purposes will no longer apply.
- 1.20 Users applying for Interruptible LDZ Capacity will be able to retain a portion of their Supply Point Capacity as Firm, subject to a minimum Interruption quantity of 5,860,000 kWh.

- 1.21 For the period from the implementation date of the Proposal to 30 September 2010, “**the Transition Period**”, transitional arrangements will apply. For Interruptible Supply Points, the present Interruptible arrangements will continue to apply, e.g. forty five (45) Day Interruption Allowance, attracting the level of discount on capacity charges as set out in the Relevant Transporters’ Transportation Statements.”

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

The DNs consider that this Proposal would, if implemented, better facilitate the following Relevant Objectives as set out in their Gas Transporter Licences:

- in respect of paragraphs A11.1(a), implementation of this Proposal would enable DNs to determine the quantity of Interruption that they require to meet their 1 in 20 licence obligation and Users to indicate their preferred terms of Interruption. This would allow the DNs to make informed decisions about investment in their networks and would better facilitate the efficient and economic operation of the DNs.
- in respect of paragraph A11.1(d)(i), implementation would facilitate the securing of effective competition between Shippers by allowing Shippers to bid for the Interruptible rights for their Supply Points.
- in respect of paragraph A11.1(c), this Proposal takes account of developments in the transportation business

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

a. Proposed implementation timetable

The Proposer believes the following timetable should now be adopted following the issue of the Development Work Group Report:

Modification Panel agree consultation timetable	19/10/2006
DMR issued for consultation	06/11/2006
Close out of representations (15 days)	27/11/2006
FMR issued to Joint Office (15 days)	18/12/2006
Modification Panel decide upon recommendation	18/01/2007
Ofgem decision expected	31/01/2007

b. Proposed legal text

Draft Business Rules are appended to this Proposal.

c. Advantages of the Proposal

The Proposer believes that implementation of this Proposal:

- would enable DN Interruption Reform to proceed in a timely fashion
- would enable DNs to determine the volume of Interruption they require
- would enable Users flexibility in the Interruption allowance they require
- would provide DNs with the appropriate market signals to invest in their networks

d. Disadvantages of the Proposal

The DNs do not believe there any disadvantages of the Proposal although some participants may argue with the timing of the Proposal if they believe that DN Interruption Reform should be linked to the timescales for NTS Exit Capacity Reform.

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

The Proposer does not believe this Proposal, if implemented, would adversely impact security of supply, operation of the Total System, or industry fragmentation.

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

i. implications for operation of the System

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

ii. development and capital cost and operating cost implications

The Proposer believes this Proposal, if implemented, would have any capital cost or operating cost implications outside the Transporters' incentive revenue.

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

Any additional costs would be recovered through application of the Transporters charging methodology.

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

The Proposer does not believe this Proposal, if implemented, would have any consequences 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 Proposer believes that implementation of the Proposal would reduce the contractual risk that the DNs would be exposed by allowing the DNs the opportunity to determine the volume of Interruptible rights they require. The NTS Transporter should not be affected by this Proposal.

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

There may be some changes required to the UK Link System if this Proposal were to be implemented. The Systems most likely to be impacted are the Sites and Meters database for recording sites with Interruptible status, SC2004 for the exercise of interruptible contracts and Invoicing 95 for payment in respect of Interruptible rights. A new system may also be required for selecting those Supply Points that are required for Interruption and this might be dependent on each DN's selection (pricing) methodology.

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

Through Workgroup discussions the Proposer is aware that some members have highlighted that the level and duration of commitment that implementation might generate and the consequential effect on Users' risks. Specifically implementation would:

- increase both lead time and duration of User commitment to LDZ Capacity. This would, intrinsically, increase contractual risk for Users;
- introduce more complex arrangements for Users to manage over prolonged periods of time which would, in turn, lead to higher administration costs;
- blur the supplier/Shipper boundary as the Shipper might be applying for Firm Capacity or Interruption arrangements in respect of a Supply Point for which it may not hold the registration three (3) years later; and
- increase failure to Interrupt cost exposure due to the increase in charge rate.

Code Concerned, sections and paragraphs

UNC The Principal Document, Section G

Proposer's Representative

Mark Freeman (National Grid Gas Distribution)

Proposer

Phil Lawton (National Grid Gas Distribution)

Signature

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