

Draft Modification Report
Amendment to Demand Forecasting Timings in Relation to the Gas Balancing Alert
Modification Reference Number 0101
Version 1.0

This Draft Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 9.6.

1. The Modification Proposal

Version 2.0 of the Proposal was as follows.

"Where capitalised words and phrases are used within this Modification Proposal, those words and phrases shall usually have the meaning given within the Uniform Network Code (unless they are otherwise defined in this Modification Report). Key UNC defined terms used in this Modification Proposal are highlighted by an asterisk () when first used. This Modification Proposal, as with all Modification Proposals, should be read in conjunction with the prevailing UNC.*

Modification 0061 – “Facilitating further demand-side response in the event that a Gas Balancing Alert (GBA)* is triggered” was implemented on 15/12/05 and established the Gas Balancing Alert as a mechanism to signal to Users the likelihood of demand response being required in order to balance the system.

The trigger for issuing a GBA occurs when the Forecast Total System Demand* is greater than or equal to the anticipated total system supplies. Within day, a GBA may be issued where there has been a supply loss of at least 25mcm per day that has resulted in the remaining anticipated total system supplies being less than or equal to the Forecast Total System Demand.

UNC Section V5.9.3 states that “*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”.*

UNC Section H5.2.3 states that “*The Transporter will notify demand under paragraph 5.2.1 after receipt of weather data under paragraph 5.1.1 not later than the following times: 14:00 hours, and 02:00 hours on the Preceding Day and 12:00 hours, 15:00 hours, 18:00 hours and 21:30 hours on the Gas Flow Day”.*

UNC Section H5.2.4 states that “*The Transporter may in addition and at its discretion notify demand (for a relevant System) at other times for any reason it considers appropriate including, but not limited to, where it appears to the Transporter that the prevailing Forecast LDZ Demand may be substantially inaccurate; and where it does so it will inform Users of the reasons for its view”.*

At 00:30 on 13/03/06 a GBA was declared for Gas Flow Day 13/03/06. This alert was triggered by the results of the demand forecast that was undertaken by National Grid NTS to comply with

the UNC H5.2.3 requirement to notify demand no later than 02:00 on the Preceding Day. Subsequently some Users queried whether earlier publication would have improved market response. However, wording of the UNC limits the issuing of a day-ahead GBA to “..not later than the following times: 14:00 hours, and 02:00 hours..”

In practice however, National Grid NTS notifies demand for a Gas Day on the preceding day at approximately the following times: 13:00, 16:00, 00:00 and on the Gas Day at 10:00, 13:00, 16:00, 21:00 and 00:00 i.e three times at the day ahead stage and five times within the day. Thus the schedule of demand forecast provision is not an accurate reflection of the schedule stated in the UNC.

This proposal therefore sets out two changes to the UNC:

- 1) Amend Section H5.2.3 of the UNC to include all the additional publication times for which National Grid NTS produces demand forecasts.
- 2) Insert a reference to UNC Section H5.2.4 into UNC Section V5.9.3.

The prime objective of the Proposal is to allow National Grid NTS increased opportunities, at the day-ahead stage, to issue a GBA (following the necessary assessment of system conditions) following each demand notification. Currently the issuing of a GBA, at this stage, is restricted to two times during the day. This Proposal will allow (where appropriate) issuing of a GBA following each demand notification and/or any ad-hoc forecast that National Grid NTS notifies to Users. In addition this Proposal will also ensure that operational practices are consistent with the UNC. "

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

The Proposer's view was as follows.

"National Grid NTS believes that implementation of this Proposal would better facilitate the achievement of the Relevant Objectives specified in Standard Special Condition A11 as follows:

- The Proposal would improve “*the efficient and economic operation of the pipe-line system*” (A11.1a) by placing an obligation on National Grid NTS to notify Users of system demand more regularly and subsequently allowing National Grid NTS greater opportunity to issue a GBA (where appropriate) in response to significant changes in the forecasts.
- The Proposal would improve “*the provision of reasonable incentives for relevant suppliers to secure that the domestic customer supply standards are satisfied as respects the availability of gas to their domestic customers*” (A11.1e) by increasing the information available to industry parties thereby enabling a timely response to secure sufficient demand-side response in order to match supplies.
- The Proposal would improve “*the promotion of efficiency in the implementation and administration of the uniform network code*” (A11.1f) by ensuring consistency between operational practices and UNC obligations."

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

The Proposer stated "Implementation of the Proposal would increase the opportunities for National Grid NTS to issue notification of a Gas Balancing Alert in circumstances where a GBA may help to avert a Network Gas Supply Emergency."

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

a) implications for operation of the System:

As implementation would align UNC obligations to the prevailing practice of demand notification, the Proposer's view was that this aspect of the Proposal" will not affect the operation of the system."

In terms of issuing a GBA, implementation would permit the Transporter to issue a GBA under the circumstances where it considered it appropriate to notify demand other than at the times set-out in the Code. Operational practices would need to reflect this.

Issuing GBAs at such times would be expected to prompt balancing actions from Users so reducing the requirement for Residual System Balancing

b) development and capital cost and operating cost implications:

Other than potential reductions in the extent of Residual Balancing Actions where a GBA was issued, it is not anticipated that this Proposal will result in any change in costs for Transporters.

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

Other than the consequences for Balancing Neutrality resulting from any reduction in the extent of Residual Balancing Actions, it is not anticipated that this Proposal will result in any changes in cost recovery amounts or arrangements.

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

No such consequences are anticipated.

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

Implementation would increase the UNC obligations on the Transporter for notification of demand from two to three for day ahead, and from four to five times within day, thus aligning UNC obligations to the prevailing practice.

Implementation would also provide an additional trigger for National Grid NTS to issue a Gas Balancing Alert.

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

No UK Link System implications are anticipated.

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

Implementation would provide UNC rights regarding the current practice of demand notification.

The Proposer stated implementation would increase "the information available to industry parties thereby enabling a timely response to secure sufficient demand-side response in order to match supplies."

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

Implementation would relax present UNC restrictions on when National Grid NTS can make a Gas Balancing Alert available to industry parties.

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

Contracts containing reference to the Gas Balancing Alert may be impacted and views are invited about any beneficial or adverse consequences of implementation.

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

The Proposer identified the following advantages.

- "Implementation of the Proposal would improve the efficiency of the GBA process by allowing greater opportunities for National Grid NTS to respond to changes in demand forecasts and notify Users accordingly.
- Ensures National Grid NTS operational practices are consistent with the UNC."

Regarding disadvantages the Proposer stated.

- "None identified, although there was a risk that Implementation of the Proposal would place a requirement on Users to frequently monitor the National Grid website for the issuing of a GBA. In order to mitigate this risk National Grid are

planning a service where interested parties including Users can register their details and receive SMS notification of a GBA. This service will be in place for winter 06/07."

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

Written representations are now invited.

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

No such requirement has been identified.

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

Implementation is not 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.

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

National Grid has indicated an intention to provide an SMS notification service for GBAs for winter 06/07.

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

The Proposer suggested that this Proposal is implemented as soon as practically possible and in any event is implemented prior to Winter 2006.

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

No such implications have been identified.

17. Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

19. Text

UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL DOCUMENT

SECTION H – DEMAND ESTIMATION AND DEMAND FORECASTING

Amend paragraph 5.2.3 to read as follows (changes tracked):

- 5.2.3 The Transporter will notify demand under paragraph 5.2.1 after receipt of weather data under paragraph 5.1.1 not later than the following times: 14:00, 18:00 hours, and 02:00 hours on the Preceding Day and 12:00 hours, 15:00 hours, 18:00 hours, ~~and~~ 21:30 hours and 02:00 hours on the Gas Flow Day.

UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL DOCUMENT

SECTION V – GENERAL

Amend paragraph 5.9.3 to read as follows (changes tracked):

- 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 and Section H 5.2.4 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.

Representations are now sought in respect of this Draft Report and prior to the Transporters finalising the Report

Joint Office of Gas Transporters

Subject Matter Expert sign off:

I confirm that I have prepared this modification report in accordance with the Modification Rules.

Signature:

Date :

Signed for and on behalf of Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters

Signature:

Date :