

Modification Report
Alignment of Interruption Application Rules for Annual and Ad-hoc Applications
Modification Reference Number 0247
Version 3.0

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

This proposal seeks to align the business rules which Distribution Networks can operate when seeking bids from Users for Interruptible rights on its Gas Distribution Network. Currently, the UNC prescribes that bids can be made for Gas Years Y+4 to Y+8 only in the Annual Interruption Invitation, whereas an Ad-Hoc Interruption Invitation can seek bids from any year.

The specific change this proposal seeks is to allow Interruption Offers in respect of Gas Years Y+1 to Y+3 in the Annual Interruption Invitation (June 2009 and every year thereafter).

This proposed alignment of timeframes, will allow Distribution Networks the option of securing bids in one application invitation for years Y+1 to Y+8, if it requires this facility. In the absence of this proposal, Distribution Networks, Users and End Consumers will be required to manage two separate processes (Annual followed separately by Ad-Hoc Interruption Applications) in summer 2009.

Suggested Text

G 6.2.2

In each Gas Year (Y) a DN Operator shall invite Interruption Offers by Users in respect of each of Gas Years Y+4 to Y+8 inclusive, and may invite Interruption Offers in respect of Gas Years Y+1 to Y+3 inclusive (each a separate Interruptible period) by an annual Interruption Invitation

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

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

NGN considers that in respect of Standard Special Condition A11(a), the efficient and economic operation of the pipeline system, this Proposal would give Distribution Networks as much time as possible to potentially accept Interruption bids in the Y+1 to Y+3 timeframe, and as a result NOT have to reinforce its Network. This would avoid inefficient and unnecessary capital expenditure.

National Grid Distribution considers that removal of the conditionality that can be caused by the current processes, may avoid the need for short term reinforcement requirements.

RWE Npower consider the Modification Proposal is a pragmatic approach to allow the DNOs the option to tender for Interruption in Gas Years Y+1 through to Y+8 as this should provide a better picture of potential take up by Users and allow more efficient planning of any reinforcement work required on the Distribution Networks should take up be less than required.

Standard Special Condition A11.1 (b): so far as is consistent with subparagraph (a), the coordinated, efficient and economic operation of

- (i) the combined pipe-line system, and/ or***
- (ii) the pipe-line system of one or more other relevant gas transporters;***

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:

- (i) between relevant shippers;***
- (ii) between relevant suppliers; and/or***
- (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;***

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), 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;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

NGN considers that in respect of Standard Special Condition A11(f), the promotion of efficiency in the implementation and administration of the network code or the uniform network code would be improved by the implementation of this proposal. This is because this Proposal would avoid two

separate Interruption Applications being run (not concurrently), where the decision to accept a bid from one application, may be contingent on receiving another bid not yet made available to Users to bid for.

NGN considers that by allowing the inclusion of Interruption Applications for Y+1 to Y+3 to be included within the Annual Interruption Invitation, rather than requiring an additional Ad-hoc Interruption Application where requirements exist for those years, will benefit the industry by streamlining the existing processes and reducing administrative burden on all Users, thereby better facilitating Standard Special Condition A11(f).

National Grid Distribution felt that SSC A11.1(f) the promotion of efficiency in the implementation and administration of the network code would be achieved through the removal of the requirement to routinely hold two application processes.

Scottish and Southern Energy considers the modification proposal promotes efficiency in the implementation and administration of the network code and the uniform network code would be improved by the implementation of this proposal. This Proposal would avoid 2 separate Interruption Applications being run where the decision to accept a bid from one application, might be contingent on receiving another bid not yet made available to Users to bid for.

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

NGN consider the orderly nature of this proposal would benefit the operation of the Total system in respect of having knowledge of potential reinforcement requirements in a timely fashion.

Scotia Gas Networks concur there will be no impact on security of supply, however SGN agree with the proposer that implementation of this Proposal would provide more efficient signals to avoid potential reinforcement projects.

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

a) Implications for operation of the System:

NGN consider the operation of the system would not be adversely affected.

b) Development and capital cost and operating cost implications:

No cost implications have been identified.

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

Not applicable.

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

No such consequences have been identified

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

No such consequences have been identified

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 functionality to run the Ad-hoc applications exists and will therefore be utilised for the revised Annual application process. As such, no development implications have been identified.

Scotia Gas Networks understand there to be no implementation costs as the functionality to run the Ad-hoc applications already exists.

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

Administrative and operational implications (including impact upon manual processes and procedures)

NGN consider Users will benefit from this proposal as they will only have to manage one application window instead of two.

Development and capital cost and operating cost implications

No such implications have been identified.

Consequence for the level of contractual risk of Users

No consequences on the level of contractual risk have been identified.

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

Consumers will benefit by only having to consider one application window for their site(s).

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

No such consequences have been identified.

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

Advantages

Aligns Annual and Ad-Hoc Interruption rules, providing one set of definitive rules and procedures

Allows Transporters and Users the option of securing Interruptible rights in each annual application window for the Y+1 to Y+3 period

Prevents the unnecessary running of 2 separate Applications (Annual plus Ad-Hoc) to be fully compliant with the provisions of the UNC.

Provides Transporters and Users required lead time to potentially secure Interruptible rights instead of the Transporter being obliged to reinforce its Network.

Disadvantages

No disadvantages have been identified.

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

Representations were received from the following parties:

Organisation	Position
E.ON UK	Supports
National Grid Distribution	Supports
Northern Gas Networks	Supports
RWE Npower	Supports
Scotia Gas Networks	Supports
Scottish and Southern Energy	Supports

Six responses to the consultation were received of which six supported implementation of the Modification Proposal.

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

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

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

No programme of works would be required as a consequence of implementing the Modification Proposal.

15 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

Proposal submitted to the UNC Modification Panel on 02 April 2009.

Proposal to be issued to consultation 02 April 2009.

Suggested Close out for representations 09 April 2009.

Modification Panel recommendation 16 April 2009.

FMR to be submitted to Ofgem by 17 April 2009.

Proposed Implementation date 01 May 2009.

N.B NGN consider the shortened consultation proposed is achievable, whilst recognising that this shortened period is less than ideal, believe it to be preferable over urgent procedures. It is hoped that will allow a decision by May 1st so that the June 2009 Annual application window can carry the proposed changes.

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

At the Modification Panel meeting held on 16 April 2009, of the 10 Voting Members present, capable of casting 10 votes, 10 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal.

18 Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

19 Text

Amend paragraph G 6.2.2 to read

“In each Gas Year (Y) a DN Operator shall invite Interruption Offers by Users in respect of each of Gas Years Y+4 to Y+8 inclusive, and may invite Interruption Offers in respect of Gas Years Y+1 to Y+3 inclusive (each a separate Interruptible period) by an “**annual**” Interruption Invitation, in relation to which:

(a).....

(b).....”

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters