

CODE REVIEW PROPOSAL No 0264
Review of Industry Arrangements to Accommodate Reduced Demand at DM Supply
Points
Version 1.0

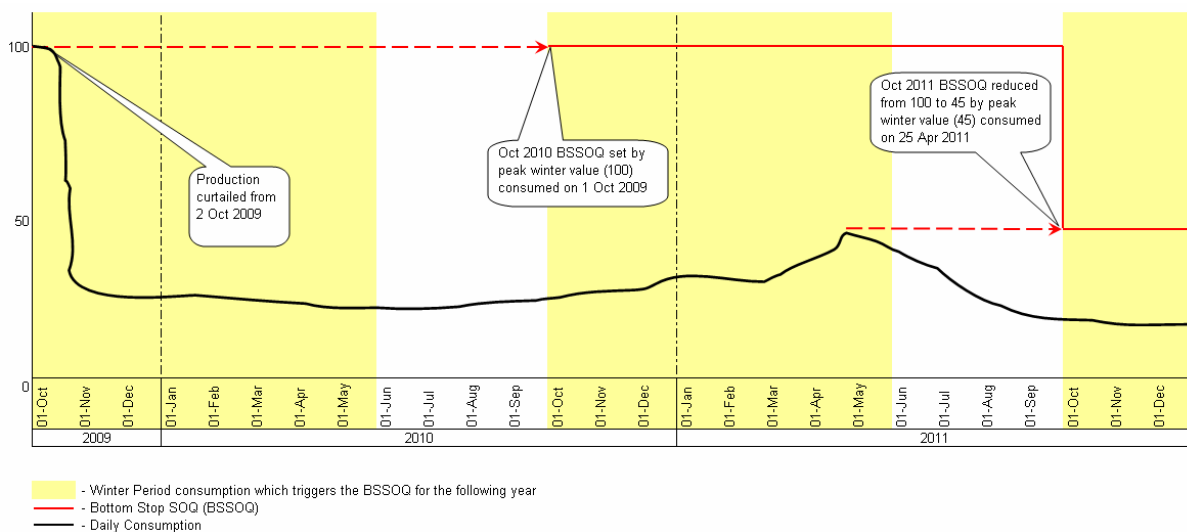
Date: 28/07/2009

Nature and Purpose of Proposal

Under the existing terms of the UNC, a Registered User's Supply Point Capacity at a DM Supply Point:

- is not permitted to be at any time less than the **Bottom Stop Supply Point Capacity (BSSOQ)**, and
- may only be reduced (below the prevailing Supply Point Capacity) within the **Capacity Reduction Period**

The **BSSOQ** is the peak day consumption (at the Supply Point) within the previous winter period (October to May inclusive) and the revised value is implemented with effect from 1 October (subsequent to the relevant winter period). As a consequence in the worst case scenario the current process may result in the peak day winter consumption influencing the BSSOQ for up to two years, the following diagram illustrates this:



The **Capacity Reduction Period** is the period October to January.

Within the current economic climate a number of Industrial and Commercial consumers are reducing their levels of production by either mothballing plant or reducing production, or as a consequence premises may become part vacant in the short to medium term. Whilst the UNC allows Users to efficiently *cease* registration at a Supply Point via the Isolation and Withdrawal process, the restrictions on the *reduction* (as opposed to cessation) of capacity outlined above do not allow Users to reflect the reduced demand within the Transportation Charges levied by Transporters in a timely manner. As identified above this may take up to 2 years due to the current timings of the revision of BSSOQs.

Subsequent to this issue being raised by consumers at the Gas Customer Forum and the Demand Side Working Group, Corona Energy raised UNC Modification Proposal 0244 in March 2009. In addition two alternative Proposals (raised by Wales & West Utilities and National Grid Distribution) were raised. All three Proposals sought to introduce measures to address the concerns raised. In summary:

- 0244 - sought to enable the Registered User to vary the AQ, BSSOQ and SOQ at any time subject to a number of restrictions,
- 0244A – sought to enable the Registered User to reduce the SOQ below the BSSOQ at any time subject to a User warranty, and
- 0244B – sought to enable the Registered User (on a transitional basis up to 30th September 2011) to reduce the SOQ below the BSSOQ within the Capacity Reduction Period

Ofgem rejected all three proposals on 20 May 2009. Although it determined that AQs, SOQs, SHQs and BSSOQs that better reflect actual usage would help to ensure that the GDNs book an appropriate level of NTS Exit Capacity required for the consumers connected to their systems, Ofgem also concluded that all of the proposals could increase the risks of stranded assets and inefficient investment and/or lead to NDM consumers having to bear a disproportionate share of the costs of the gas distribution system. On balance therefore, Ofgem concluded that implementation of any of the proposals would not better facilitate the relevant objectives.

In its decision letter Ofgem invited the industry to “*consider whether, in the light of our comments and decision, they wish to consider developing further proposals to address the problem identified*”.

To meet this objective, National Grid Distribution (NGD) proposes that a Review Group be established to identify the extent of the issue, determine the impacts and evaluate whether any changes (to the UNC or otherwise) are necessary. We believe that this is an appropriate way forward as a Review Group can accommodate the participation of all parties in considering whether change is necessary. To ensure that a robust conclusion is reached it is suggested that the Review Group requires the active participation of Users and also consumers to accurately identify the scale and significance of the issue. Ofgem identified that there was a lack of analysis submitted in respect of the 0244 Proposals and therefore a Review Group would facilitate a co-ordinated approach to the collation of analysis and evidence that is available.

It is proposed that the Review Group considers the following:

- possible transitional relief (short term)
 - UNC or other e.g. Supply Contract related remedy?
- possible (but not limited to) changes to the BSSOQ / ratchet regimes (long term)
- In respect of any solutions identified
 - mitigation measures to prevent inappropriate behaviours

- likely impact of any changes on consumers affected
- likely impact of changes on other consumers charges (i.e. costs that are recovered from the remainder of the GDN consumer base)
- the impact on investment decisions

Note: It is recommended that the Review Group gives priority attention to the identification of short term measures during the course of discussion. It is further noted that if necessary proposals for change may be initiated during the lifecycle of the review.

It is proposed that the Review Group aims to provide a Final Report to the UNC Modification Panel in December 2009.

Any further information (Optional)

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) G5

Proposer's Representative

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Proposer

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