

Modification Report
Provision of Additional Within Day Demand Forecast and Demand Attribution
Run
Modification Reference Number 0590
Version 1.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

To facilitate the provision of additional demand forecasting information to Users within day, by stipulating a later time at which Transco must notify Users of its latest demand forecast and update each User's NDM Output Nomination.

Improving the information available to Users within day will provide them with the opportunity to better balance their portfolios within day and as a result should reduce the cost of residual balancing by eliminating 'dual response'. This will help facilitate the efficient and economic operation of the system.

2. Transco's Opinion

The Network Code requires Transco to provide a final demand attribution run for Users at 16:00hr within day. As part of the development of Modification Proposal 0511, 'Removal of the NDM Forecast Deviation from Imbalance Tolerance Quantity', it was recognised that there may be some value to Users in the provision of an additional demand run later in the day, with Users benefiting from the later Demand Attribution (DA) data to inform them of any changes in anticipated NDM demand. This might then facilitate Users in the better management of their imbalance exposure. The Proposer anticipated that implementation of an additional DA run would not be complex or costly to implement as it would effectively duplicate the 16:00hr attribution run processes and utilise the same 15:15hr weather data. It was, however, noted that the scheduling of processes to support this attribution run should be considered to ensure that other batch scheduling could take place without performance deterioration.

IT System Issues

Transco supports the principle of providing an additional DA run later within day. However, recent Transco system performance issues have emphasised the requirement to consider whether facilitation of a later attribution run might adversely impact AT Link Systems performance. Over recent months Transco has sought to enhance AT Link performance with an improvement programme, the first stage of which was completed on 8 December 2002.

In the Draft Modification Report Transco advised that it would be in a better position to advise on the outcome of the programme in the Final Modification Report. The enhancement programme initially addressed three key areas:-

- Archiving
- Hardware

- Screen Scraping.

Initial results indicate that the outcome of the programme has been encouraging. However with the last outage, to facilitate archiving enhancements, taking place on the 8 December 2002, Transco considers that it is too early to fully evaluate whether sufficient improvements have been made to the system to allow the robust provision of an additional DA run whilst ensuring satisfactory operational AT-Link performance. Further assessment of the impact of the enhancements remains ongoing with the consequences of the recent changes not expected to be fully understood until January 2003. Depending on the outcome Transco might be able to offer a later demand attribution run during the early part of 2003.

AT Link Logical Meter Rationalisation

During the enhancement programme Transco identified that the high and growing numbers of AT Link logical meters was impacting on the performance of the AT-Link system. The large increase in AT Link logical meter numbers over the past two years has been identified as having a detrimental effect on batch processes and demand attribution run times. Given that it is not possible, at this stage to ascertain the impact of the improvement programme described above, Transco's IT department does not believe that robust operation of AT Link could be guaranteed if an additional evening demand attribution run was to be required. However initial analysis suggests that this would be achievable after the AT Link processing issues associated with the high number of AT Link logical meters have been resolved.

Transco has initiated a programme of works which proposes a rationalisation of AT Link logical meters. The NDM meter requirements within AT Link could be satisfied by logical meters associated with User/EUC/Exit zone aggregations. This could afford an opportunity to deliver a major AT Link operational performance improvement. Such a change is being considered in the context of the business processes particularly in the context of supply point administration and invoicing. Preliminary discussions have indicated that User impacts are unlikely, but it will be essential to establish whether Transco needs to maintain data at a lower level of granularity than the Shipper/EUC/Exit Zone Level. At the Billing Operational forum on 12 December 2002 Transco suggested that it might maintain logical AT Link meters for NDM Loads to separately process direct connect or CSEP loads. Views from Users have been requested to inform the systems specifications. AT Link logical meter changes are proposed to be delivered by the end of March 2003 provided that the system specification can be agreed by 10 January 2003. Transco recommends that, were this Modification Proposal to be implemented, a mandatory requirement for the additional DA run should not commence before 1 April 2003. This would allow sufficient time to make the necessary IT system changes and ensure that the requirements of the Proposal can be delivered.

Transco notes that its recommended implementation date coincides with the removal of the forecast deviation for Input Nomination Tolerance Quantity (INTQ), 1 April 2003.

Additional Weather Forecast

Provisions under Network Code dictate that Transco will carry out a demand attribution run using the last available weather data obtained from the Met

Office. The last forecast is currently provided at 15:15hrs within day. The Proposer has stated that the provision of additional weather data was not the primary intention of the Proposal and that it is satisfied that an additional time for receipt of weather data should not be included within the draft legal text of this Proposal.

Interactions with the electricity regime

Transco has not identified any potential interactions with the electricity regime.

3. Extent to which the proposed modification would better facilitate the relevant objectives

The Proposer contends that, "Improving the information available to Users within day will provide them with the opportunity to better balance their portfolios within day and as a result may reduce the cost of residual balancing by eliminating 'dual response'. This will help facilitate the efficient and economic operation of the system".

4. The implications for Transco of implementing the Modification Proposal, including

a) implications for the operation of the System:

Transco does not anticipate any such implications unless it is essential to amend other processing requirements to accommodate the demand attribution run.

It has been suggested that the provision of more accurate information later in the day might increase Users' ability to balance to Transco's D+5 NDM demand allocation. Transco notes the opinion that Users balancing to the D+5 forecasted demand might reduce the requirement for Transco, in its role as residual balancer, to take balancing actions later within day. However Transco notes that it will be managing flows on the basis of forecasts of daily demands and projected inputs. It therefore cannot be assumed that even if this Proposal facilitates better end of day balancing by Users that this will necessarily reduce the residual balancing role. However Transco believes that this issue is not likely to have a material impact on the operation of the system.

b) development and capital cost and operating cost implications:

Transco does not anticipate significant development costs for the implementation of an additional attribution run. Such costs will arise from the implementation of the new logical meter treatment within AT-Link. This would have been implemented under Gemini but, given this Proposal and the requirement to ensure satisfactory AT-Link operation, Transco considers it appropriate to incur the incremental costs associated with an early AT-Link implementation.

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

Any costs would be shared with Users under the terms of Transco's SO incentive schemes, notably the internal cost incentive scheme. If User balancing were

affected, this could also impact Transco's performance under the Residual System Balancing incentive.

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

Transco does not anticipate any such consequences.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal

Transco does not anticipate any such consequences.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

Transco does not anticipate any direct implications. However Transco would not advocate a mandatory requirement to deliver an extra within day evening DA run until it is satisfied that the system performance programme is sufficiently successful to enable an additional attribution run or sufficient time has been allowed for the AT Link logical meter changes to have been implemented.

Transco awaits responses from Users so that it can ensure that any impact that logical meter number aggregation may have on Users invoice validation is fully understood and implemented in such a way that takes account of User preferences wherever practical.

7. The implications of implementing the Modification Proposal for Users

Following the implementation of Modification Proposal 0511- 'Removal of the NDM Forecast Deviation from Imbalance Tolerance Quantity' and the INTQ due to be removed on the 1 April 2003, Transco anticipates that the provision of improved information later in the day may provide improved means by which Users may better manage risk from NDM imbalance exposure.

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

No such implications are anticipated.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

No such implications are anticipated.

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

Advantages :-

- May enable Users to better manage the risk associated with differences between the NDM demand nomination from the 16:00hr attribution run and the NDM attribution used for energy balancing cashout determination.

Disadvantages:-

- Immediate implementation an evening within day demand attribution run may conflict with batch processing schedules already in place, with a high probability of adversely affecting AT Link system performance and processing.
- Late provision of demand information may create greater uncertainty on the System, given that Transco will not be sure whether Users will respond to demand changes or not. This may generate increased flow rate variations late in the day which may be to the detriment of the economic and efficient operation of the System.

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

Representations were received from eight respondents.

Scottish & Southern Energy (SSE)

British Gas Trading Ltd (BGT)

Innogy (Innogy)

Powergen UK Plc (PG)

Total Fina Elf Gas and Power (TFE)

London Electricity Group Plc (LE)

Shell Gas Direct (SGD)

TXU Europe (AHG Shipping Services), (TXU)

All responses received expressed support for the Proposal.

General

Respondents expressed the view that implementation of a later demand attribution run would benefit Users in providing improved information that may be used to balance their portfolios on the day and manage the risk of imbalance exposure. This in turn may reduce the number of residual balancing actions taken by Transco.

LE states, 'That there is currently a 14 hour time lag between when Transco issues its last demand attribution run at 16:00hr and the end of the gas day', it believed that this was far too long for Users with NDM portfolios to 'drive blindly without any tangible demand data'.

Transco Response

Transco agrees with respondents that a later demand run would improve information that may be used to enable Users to achieve an end of day position closer to balance. Transco concurs with the view that this Proposal may provide

a means by which Users may mitigate the risks associated with changes in the projection of NDM demand after the 16:00hr within day demand run. In the Draft Modification Report Transco advised that the benefit of a later within day demand attribution might accrue from the availability of actual flow data up to the point at which the projection of demand is made. Actual flow data and pressure information in the LDZs available up to and including early evening will facilitate accurate end of day demand projections and therefore might assist in the accurate NDM aggregate demand projections. Transco is of the view that additional weather data is unlikely to have a material effect on the accuracy of such projections.

Weather Data

SSE clarified that it was not 'trying to oblige Transco to obtain extra weather forecasts , but instead to carry out the later demand attribution run on the basis that DM nominations and other system information, for example, actual flows, will be more accurate by the time proposed.'

BGT concurred with Transco's view that the additional weather forecast was not required in order to produce an additional demand forecast and demand attribution run and agreed that weather information at that point of the day would have a marginal bearing on forecast demand as Transco would place more reliance on actual flows being seen on the System.

LE believed that extra weather data would be beneficial as it would , 'also increase the chances of getting a better appreciation of system demand toward the end of the day'.

In respect of Transco's view that the additional attribution run should use the last weather forecast at 15:15hr, TXU observed that Transco had previously stated that, 'the provision of a later run would not be costly or complex as it would duplicate the 16:00hr processes', TXU contended that it, 'does not understand how the provision of a further run based on the same set of data, just later in the day would move the industry forward.'

SGD stated that it was not certain that further weather information would benefit the additional attribution run and suggested that the Proposal was implemented without the requirement for additional weather data with the possibility of a review at a later date, as part of the Modification Proposal 0567 process or through a separate Proposal .

Transco response

As previously stated, Transco agrees with SGD and BGT that the main benefit in providing an additional demand forecast would be expected to arise from the availability of flow data during the day to inform the later forecast rather than by obtaining additional weather data. Transco notes that this is a view that is recognised and shared by the Proposer.

00:00hr Attribution run

Innogy expressed the view that 'on the basis that the extra information would allow Users to manage their imbalance position, an additional within day forecast at 24:00hr would also be of benefit'. It added that in the first instance, 'any additional within day attribution run should be undertaken and issued at 21:30hr to allow Shippers time to respond and adjust their INS nominations prior to 22:00 assessment'.

TFE and SGD observed that Transco considered that a later within day, 00:00hr, attribution run may create greater uncertainty on the System, given that Transco would not be sure whether or not Users would respond to demand changes. TFE believed that, 'Users will attempt to respond to demand changes be this as a result of the later forecast or from signals given by their own forecasting systems in attempting to forecast the actual NDM demand for their portfolios. TFE expressed concern that these comments were being made now, 'when the effect they were referring to is really a direct consequence of the change to remove the NDM forecast deviation rather than being attributable to this proposal'. SGD contended that 'implementation of the INS system should provide sufficient information about whether Shippers consider whether they will be in balance with the incentive at the recording time of 22:00hr.'

Transco Response

Transco agrees with Innogy that a 21:30hr attribution run might provide benefit to some Users and recognises that it may allow sufficient time to respond and adjust INS nominations if required. Transco maintains the view that an 00:00hr run would potentially create greater uncertainty in respect of Transco, in its role as residual balancer, having little opportunity to assess and react to increased User balancing actions towards the end of the gas day.

Further Demand Forecast Data

LE noted that further within day data to aid better forecasting of NDM portfolios was desirable. In particular the provision of extra LDZ aggregate forecast data, WCF and SF would optimise Shippers ability to better forecast their NDM demand.

Transco Response

The provision of further information to assist Users in improving their NDM demand forecasting is being considered as part of Review Group 0567 - 'Review of NDM Demand Forecasting Methodology'. The group has agreed proposed NDM demand forecast data requirements and Transco is currently evaluating provision of that data and the means by which it may be delivered to Users.

AT Link Integrity

TFE noted recent AT Link outages as a result of measures being taken to improve system performance. TFE stated that it would, 'wish to seek reassurance from Transco that implementation of the proposal will not cause a

further deterioration in the performance of AT Link. Should Transco be unable to give this reassurance then we would support the proposal being delayed until it can be incorporated into the Gemini replacement'.

Transco Response

Transco agrees with TFE and believes that the benefits of proposed changes to AT Link should be set against the potential costs of adverse performance impacts.

Cost

TFE recognised that there would be a cost in implementing the Proposal for both Transco and Users, noting that Users, 'will have to provide additional cover in order to be able to respond to the forecast'. TFE expressed concern that this cost was not recognised when the Regulator approved the recent changes to the NDM forecasting regime.

Transco Response

Users would be free to decide whether or not to secure extra facilities to manage their imbalance exposure taking account of any additional DA run. However, Users do not have to utilise the final DA data for imbalance management. They could elect instead to take the cashout exposure as is presently the case.

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

Transco does not anticipate any such requirement.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

Transco does not anticipate any such requirements.

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

Implementation of the additional demand attribution run functionality

- Analysis/design
- Development
- Testing
- Implementation

Completion of AT Link logical meter aggregation implementation programme

- Analysis/design
- Development
- Testing
- Implementation

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

- UK Link committee notification of file format amendments for AT Link logical meter changes 19/12/02
- Ofgem Decision early January 2003
- Completion of preliminary phase of the performance enhancement assessment 31/01/03
- Implementation of AT Link logical meter change aggregation 28/03/03
- Implementation of the additional 21:30hrs DA run 01/04/03

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation with effect from 1 April 2003. To address current IT systems issues Transco considers it essential to have discretion in the provision of the extra DA run until at least 1st April rather than a Network Code obligation.

17. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal

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

19. Text

Proposed text:

Section H, paragraph 5.2.3.

"Transco will notify demand under 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."

Section H, paragraph 5.2.4.

" Transco may in addition **and at its discretion** notify demand (for one or more LDZ`s or for the System) at other times **for any reason it considers appropriate including , but not limited to** where it appears to Transco that the prevailing Forecast LDZ Demand may be substantially inaccurate; and where it does so it will inform users of the reason for its **revised** view."

Signed for and on behalf of Transco.

Signature:

Tim Davis
Head of Regulation NT&T

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0590**, version **1.0** dated **19/12/2002**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **1.0**.

Signature:

Process Manager - Network Code
Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriateprovided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.