

Draft Modification Report
Partial "Volume" Interruption
Modification Reference Number 0702
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 8.9.3.

1. The Modification Proposal

- This Proposal would only apply during periods of Transco initiated Supply and Demand management Interruption and seeks to enhance the current Partial Interruption arrangements such that Supply Points requested by Transco to partially interrupt for Supply/Demand management purposes would be able to continue to offtake gas at up to their maximum Supply Point Offtake Rate for a limited period or periods, subject to defined volume restrictions and any relevant existing NExA requirements, rather than being limited to the current hourly flat rate reduction. Potential gas offtake profiles before and after a Partial Interruption notice under the **prevailing arrangements** are shown in Figures 1 and 2.

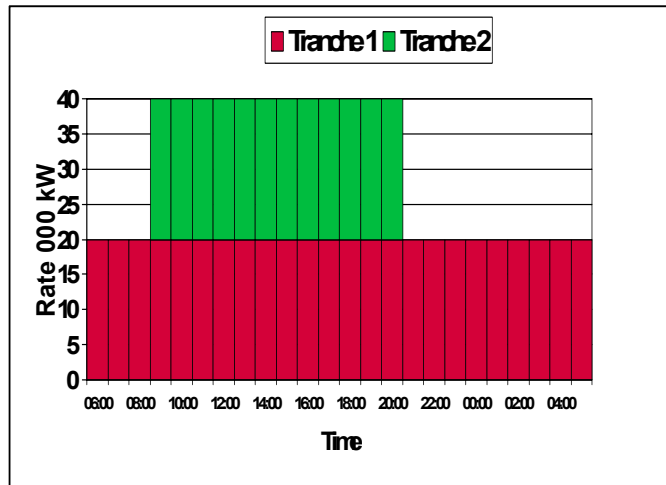


Figure 1 Intended gas offtake before Interruption notice

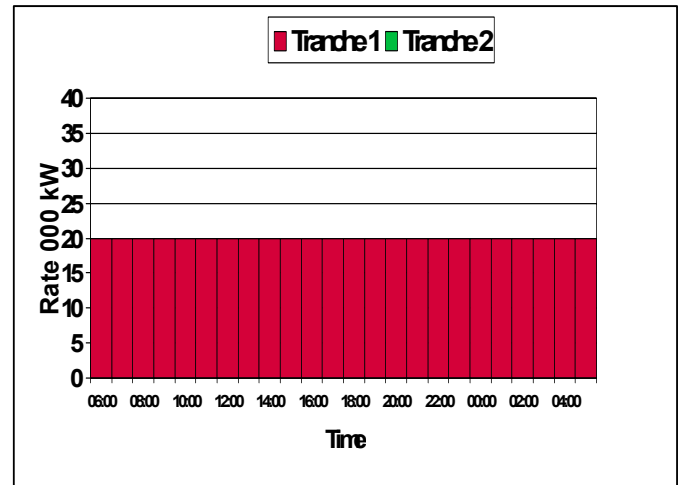


Figure 2 Potential gas offtake after Partial Interruption notice

- The Proposal would introduce a cumulative volume restriction that applies for each hour of the Interruption period. At the end of any hour within the Interruption period, the cumulative quantity of gas offtaken from the Interruption start time to the end of that hour will be limited to the implied maximum volume of gas that could have been offtaken under the prevailing partial "rate restricted" Interruption arrangements from the Interruption start time to the end of the relevant hour. Potential gas offtake profiles before and after a Partial Interruption notice under the **proposed new arrangements** are shown in Figures 3 and 4.

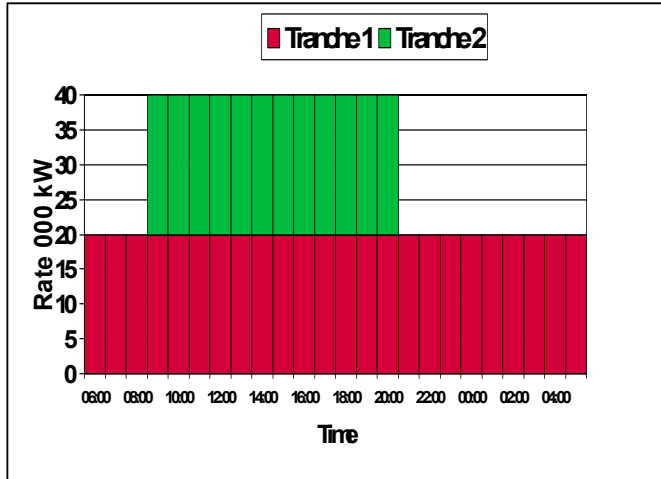


Figure 3 Intended gas offtake before Interruption notice new

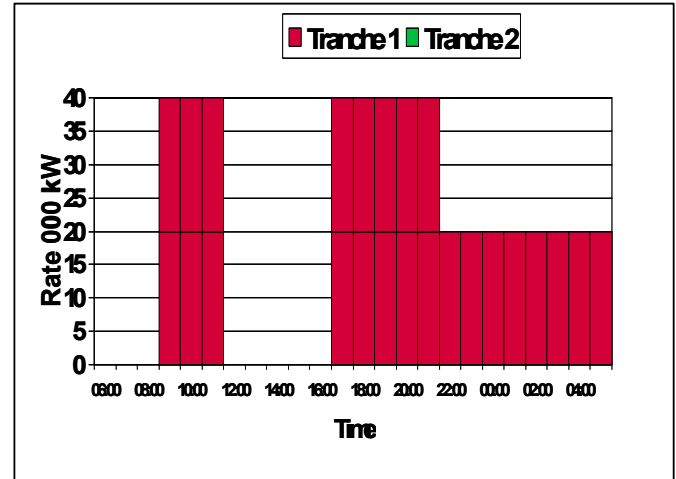


Figure 4 Potential gas offtake after Partial Interruption notice

- The service will apply at all Interruptible Supply Points that successfully register for the Partial Interruption service but excluding Network Sensitive Loads. The prevailing requirements for Partial Interruption status are not affected by this Proposal. The service would be available on all occasions when Interruption is called for Supply/Demand management purposes. The reason for Interruption will be indicated on the Interruption Notice.
- The proposed service will exclude Network Sensitive Loads (NSLs). A Network Sensitive Load ("NSL") is an Interruptible Supply Point where its specific Interruption may be required by Transco for the purpose of maintaining the capability to supply gas at a "rate" sufficient to support the Firm Supply Points which are located in the local area of, and are connected to the same local pipeline system as, such Interruptible Supply Point. As a consequence, such Interruptible Supply Points are likely to have a higher probability of "rate" related Interruption, for Capacity management purposes, than an Interruptible Supply Point which is not an NSL. It is therefore expected that NSLs will already have been called to interrupt for Capacity management purposes prior to Supply/Demand Interruption being required.
- Failure to Interrupt charges will be calculated as per the prevailing arrangements. The relevant excess quantity will be calculated as the maximum difference between the cumulative quantity offtaken at the end of any hour within the Interruption period less the allowed volume up to the end of that hour. The allowed volume will be the maximum implied by the Partial 'rate' Interruption arrangements from the Interruption start time to the end of the relevant hour. This is shown in the table below, where Interruption has been called for a period of 15 hours.

Hour	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Max Rate (GW)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Max Cumulative Volume (GW h)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Actual Rate (GW)	0	0	0	2	2	2	2	0	0	0	0	2	2	2	1
Cumulative Volume (GW h)	0	0	0	2	4	6	8	8	8	8	8	10	12	14	15
Actual Q - Allowed Q Volume (GW h)	-1	-2	-3	-2	-1	0	1	0	-1	-2	-3	-2	-1	0	0

“excess failure quantity”
 $= 1/15 = .07 \text{ GW}$

- Transco has an obligation to accept or reject all applications for Partial Interruption within 10 business days of their receipt. This Proposal also seeks to provide a temporary extension (to October 2005) of this response time to 15 business days due to the increased complexity of the arrangements and the possibility of initial high demand for this service.

2. Transco's Opinion

In the Winter Operations report 2003/2004, NGT highlighted that in a severe winter there could be significant volumes of Interruption required for Supply/Demand balancing purposes. This would be expected to have an impact on the supply of gas to consumers who have interruptible supply contracts. Transco believes that enhancing Interruption services and introducing more flexible arrangements, may go some way to mitigate the potential impact of this volume of Interruption.

To achieve this, Transco raised Modification Proposal 0657 in October 2003. The intention of Modification Proposal 0657 was to allow Supply Points that have Partial Interruption arrangements to offtake a restricted volume of gas with no restriction on the hourly 'rate' other than that which normally applies at that Supply Point, when Interruption was for supply and demand management purposes and only when system flexibility allowed. However, this Modification Proposal was rejected by Ofgem in December 2003.

Transco continues to believe that there is benefit in enhancing the existing Partial Interruption arrangements and has therefore developed this revised Modification Proposal.

In its decision letter to Modification Proposal 0657, Ofgem stated that in its opinion, implementation of the Proposal would allow free access to within day system flexibility which could increase the potential for system balancing actions. In order to address this key concern, this revised Modification Proposal imposes a cumulative volume restriction that applies at each hour of the Interruption period. This requires Users to "over interrupt" effectively contributing towards a potential build up of linepack, to allow for periods of "under interruption" later in the day. This means that there would be no net depletion of linepack within the day attributable to this Proposal and therefore no increase in the potential for system balancing actions.

Ofgem also expressed concerns that Transco did not previously publish the criteria or systems information for establishing how the proposed service would be allocated to Users. This revised Modification Proposal would provide the service to all Interruptible Supply Points that successfully register for the Partial Interruption service, excluding Network Sensitive Loads. The service would be available on all occasions when Interruption is called at that Supply Point for Supply/Demand management purposes. The reason for Interruption would be notified via the Interruption Notice. Transco therefore considers that this revised Proposal should address Ofgem's key concerns

regarding the application of the service. Transco would welcome Users' comments on the impact of including the reason for Interruption on the Interruption Notice.

Transco has raised this Proposal to potentially minimise the impact of Supply/Demand Management Interruption. Transco recognises that within the development process, it has been identified that this Proposal might also benefit security of electricity supply by allowing CCGTs, that have Partial Interruption gas supply contracts in place, to satisfy peak electricity demand through periods of gas Supply/Demand Interruption, rather than restricting generation capacity over the entire period.

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

This proposal, if implemented, seeks to enhance the existing Partial Interruption arrangements to allow Users greater choice and flexibility in terms of their within-day offtake profile whilst not increasing costs to other Users, thereby allowing them to optimise competitive business opportunities during periods when Interruption of their Supply Point is required for Supply/Demand management purposes. The approach is consistent with Amended Standard Condition 9 of Transco's GT Licence which requires Transco to establish transportation arrangements which facilitate the efficient and economic operation of the gas pipe-line system.

**4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:**

Transco anticipates there may be an initial increase in demand for Partial Interruption services as a result of this Modification Proposal. This Proposal therefore seeks a temporary extension to the response time for all applications for the Partial Interruption service.

Transco is also proposing that the Interruption Notice includes a reason code identifying the type of Interruption being called, i.e. Transportation Constraint, Supply and Demand Management or Testing. Transco envisages that this will be a minor change.

b) development and capital cost and operating cost implications:

Transco does not envisage additional capital or operational costs as a result of this Proposal.

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:

No significant additional costs anticipated other than the processing costs if demand for Partial Interruption services increases. It is envisaged that these costs would represent no more than costs associated with other new or revised Supply Point capacity enquiries which are recovered via general transportation charges.

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

Transco is not aware of 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 envisage any such consequences.

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

Transco anticipates that minor changes to User systems may be required in order to recognise the new Interruption Reason Codes included on the Interruption Notices.

7. The implications of implementing the Modification Proposal for Users

Transco envisages that implementation of this Proposal will allow Users greater choice in terms of their within-day offtake profile when Interruption of their Supply Point is required for Supply/Demand management purposes. Transco is seeking views as to whether, and if so how, implementation of this Modification Proposal would impact Users' processes.

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

Transco does not anticipate any such implications in respect of Terminal Operators, Storage Operators, suppliers, producers and any non Network Code party. However, Transco believes that relevant end consumers and Connected System Operators may benefit from the flexibility that the proposed service provides.

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

Transco is not aware of any such consequences.

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

Advantages:

- Provides Users with greater flexibility to manage their interruption obligations.
- Facilitates access to system flexibility when such flexibility is available without impacting other Users.
- Potential benefit to security of electricity supply.

Disadvantages:

- Increased complexity in respect of Interruption management.

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

Transco now seeks responses to this Draft Modification Report.

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

No 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 is unaware of any such requirements.

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

Develop and implement procedural changes to Partial Interruption processes. Develop and implement system changes.

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

Action	Due Date
DMR issued	08/07/04
Consultation close-out	29/07/04
FMR issued	19/08/04
Ofgem decision expected	16/09/04
Systems Development and Implementation	01/10/04

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of this Modification Proposal.

17. Text

SECTION G: SUPPLY POINTS

Amend paragraph 6.10.4 to read as follows:

“Where Transco requires Interruption at the Supply Point;

(a) pursuant to paragraph 6.7.3(a) or 6.7.3(b) or in relation to an NSL:

(i) in any period . . .;

(ii) for the purposes . . .; and

(iii) the provisions of . . .;

(b) pursuant to paragraph 6.7.3(c) (other than in relation to an NSL):

(i) from the Interruption Start Time on the Day until the end of each period of 60 minutes following that Interruption Start Time, and subject always to paragraph 5.3.1, the Registered User will be allowed to offtake a quantity of gas (and Sharing Registered Users will be allowed to offtake a quantity of gas in aggregate) measured in kWh, not exceeding the sum of the Tranche Quantities of the Tranches at the Supply Point in respect of which an Interruption Notice has not been served multiplied by the relevant number of periods of 60 minutes expired from the Interruption Start Time (it being acknowledged that the limit imposed by this paragraph 6.10.4(b)(i) shall apply and be required to be satisfied at the end of each period of 60 minutes from the Interruption Start Time);

(ii) for the purposes of paragraph 6.9.1(a), the requirement of paragraph 6.7.2(b) shall not be satisfied where the quantity referred to in paragraph 6.10.4(b)(i) at the end of any period of 60 minutes following the Interruption Start Time has been exceeded;

(iii) the provisions of paragraph 6.9.2(a) shall apply; and

(iv) the provisions of paragraph 6.10.5 shall apply save that the excess failure quantity for any particular period of 60 minutes in the Day shall be the total quantity of gas offtaken in that period less the quantity permitted to be offtaken pursuant to paragraph 6.10.4(b)(i) above.

Amend paragraph 6.11.4 to read as follows:

“Where Transco requires Interruption at an Interruptible CSEP;

(a) pursuant to paragraph 6.7.3(a) or 6.7.3(b) or in relation to an NSL:

(i) in any period . . .;

(ii) for the purposes . . .; and

(iii) the provisions of . . .;

(b) pursuant to paragraph 6.7.3(c) (other than in relation to an NSL):

(i) from the Interruption Start Time on the Day until the end of each period of 60 minutes following that Interruption Start Time, and subject always to paragraph 5.3.1, the CSEP User will be allowed to offtake a quantity of gas (and CSEP Users will be allowed to offtake a quantity of gas in aggregate) measured in kWh, not exceeding the sum of the Tranche Quantities of the Tranches at the Interruptible CSEP in respect of which an Interruption Notice has not been served multiplied by the relevant number of periods of 60 minutes expired from the Interruption Start Time (it being acknowledged that the limit imposed by this paragraph 6.11.4(b)(i) shall apply and be required to be satisfied at the end of each period of 60 minutes from the Interruption Start Time);

(ii) for the purposes of paragraph 6.9.1(a), the requirement of paragraph 6.7.2(b) shall not be satisfied where the quantity referred to in paragraph 6.11.4(b)(i) at the end of any period of 60 minutes following the Interruption Start Time has been exceeded;

(iii) the provisions of paragraph 6.9.2(a) shall apply; and

(iv) the provisions of paragraph 6.11.5 shall apply save that the excess failure quantity for any particular period of 60 minutes in the Day shall be the total quantity of gas offtaken in that period less the quantity permitted to be offtaken pursuant to paragraph 6.11.4(b)(i) above.

TRANSITION DOCUMENT PART II

Insert a new paragraph 8.4.20 as follows:

“G6.10.2(d)

In respect of the period from 1 October 2004 until 30 September 2005 (both dates inclusive) the period within which Transco shall accept or reject all applications for Partial Interruption

shall be 15 Business Days of their receipt by Transco from a Registered User or the Sharing Registered Users' Agent as appropriate."

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

Signed for and on behalf of Transco.

Signature:

Richard Court
Commercial Frameworks Manager
NT & T

Date: