

**Modification Report**  
**Amendment of Interconnector UK's Network Entry Provisions**  
**Modification Reference Number 0153**  
**Version 2.0**

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**

As part of an importation capacity expansion of the Bacton Interconnector that is taking place this year, an upgrade of Interconnector UK Ltd's (IUK) fiscal metering system at Bacton is required. This upgrade, which is scheduled to be implemented in September 2007, requires that some technical parameters of IUK's Network Entry Provisions (NEPs) be amended.

IUK's NEPs are contained within its Interconnection Agreement (IA). It is therefore proposed to make the following change to Annex D, Part 4, Table 1 of IUK's IA – from which the table below is an extract:

	Current range	Upgraded range
Primary Meters Volume Flow Rate (Nm <sup>3</sup> /hour)	86,765 - 3,500,000	86,765 - 4,000,000
Primary Meters Energy Flow Rate (MJ/hour)	3,375,139 - 140,000,000	3,375,139 - 180,000,000

It is also proposed to update the standards to be used for the determination of volume and energy measurement uncertainties from EN ISO 5167-1:1991 to EN ISO 5167-1:2003 and EN ISO 5167-2:2003 and from EN ISO 5168:1978 to EN ISO 5168:2005 by suitable amendment to Annex D, part 1, paragraph 3.2.

Section I2.2 of the UNC Transportation Principal Document provides that the prevailing NEPs at a System Entry Point (SEP) may only be amended either with the written consent of all Users who hold NTS Entry Capacity at the Aggregate System Entry Point (ASEP) in which the relevant SEP is comprised or by way of a Uniform Network Code Modification. The Proposer wishes to effect this proposed change to IUK's IA by implementation of this Proposal.

If this Proposal is not implemented, the flow rate data in IUK's IA will become incorrect which may hinder the delivery of additional gas supplies to the UK, to the detriment of security of supply.

**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;*

Under phase III of IUK's Interconnector Enhancement Project, the approximate import capacity of the Interconnector is expected to increase to 25.5 bcm/year, which this Proposal directly seeks to facilitate.

Such enhanced supply capability is expected to mitigate any risk of excessive gas prices this winter, thereby better facilitating the achievement of this objective.

***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;***

RWE believed that implementation would be expected to better facilitate achievement of this objective but no other respondents commented on this aspect.

RWE also commented that it was pertinent to update the standards to be used for the determination of volume and energy measurement uncertainties.

***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 achievement of this 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;***

The enhanced supply capability resulting from implementation is expected to better facilitate the achievement of this objective. SGN also pointed out that implementation should help to reduce market uncertainty and price volatility.

***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 achievement of this 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;***

RWE believed that implementation would be expected to better facilitate achievement of this objective but no other respondents commented on this aspect.

### **3 The implications of implementing the Modification Proposal on security of**

**supply, operation of the Total System and industry fragmentation**

Implementation would enhance security of supply by facilitating additional volumes of gas to flow into the Total System.

No implications in respect of industry fragmentation have been identified.

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

**a) Implications for operation of the System:**

NTS telemetry systems would require re-ranging and associated end-to-end tests would need to be performed. Subject to these tests proving successful and the receipt of satisfactory measurement uncertainty calculations from IUK, National Grid NTS has agreed to accommodate IUK's metering equipment upgrade as described in this Proposal. The present measurement accuracy tolerance percentages required of IUK's metering equipment would remain unchanged.

Whilst supporting implementation, BGT expressed concern that this work could have a material effect on measurement accuracy and requested further information.

**b) Development and capital cost and operating cost implications:**

No development, capital or operating costs are expected to be incurred by Transporters as a consequence of implementing this Proposal.

**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 consequence has 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**

No such implications have been identified.

**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)*

No such implications have been identified.

*Development and capital cost and operating cost implications*

Users' operating costs would be expected to reflect the additional availability of gas, which would be a consequence of the enhanced supply capability.

*Consequence for the level of contractual risk of Users*

Implementation should mitigate the risk to Users of high gas prices during the winter period. SGN also believed that implementation should help to reduce market uncertainty and price volatility.

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

Implementation would be expected to increase the ability of the IUK terminal operator to offer interconnector capacity to its customers.

No direct implications have been identified by other Non Code 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**

No such consequences have been identified.

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

**Advantages**

Implementation would contractually recognise the potential for higher import flow rates through the Bacton Interconnector. This would be expected to both enhance security of supply and mitigate any risk of excessive gas prices this winter.

NGD commented that implementation would help to ensure that the capacity of the Interconnector, and its ability to import gas into the UK, was not limited by the ability of the meters to measure the flows.

Correctly recording the increased capacity of the import meters in the Network Entry Provisions would help to maximise the volume of gas transported by IUK Shippers and thus help to increase the supply availability to the UK gas market.

## 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:

#### Name

British Gas Trading Limited	(BGT)	Support
Distrigas S.A.	(DSA)	Support
Gaz de France	(GDF)	Support
Interconnector (UK) Ltd	(IUK)	Support
National Grid Distribution	(NGD)	Support
National Grid NTS	(NGNTS)	Support
RWE Npower Plc and RWE Trading GmbH	(RWE)	Support
Scotia Gas Networks plc	(SGN)	Support
Statoil (UK) Limited	(STUK)	Support

Therefore all nine respondents supported implementation.

### 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**

No such requirement has been identified.

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

No specific programme for works has been identified.

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

It is recommended that this Proposal be implemented by 01/09/2007.

### 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**

At the Modification Panel meeting held on 19 July 2007, of the 9 Voting Members present, capable of casting 9 votes, 9 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**

No change to the existing UNC text would be required if this Proposal were to be implemented.

For and on behalf of the Relevant Gas Transporters:

**Tim Davis**  
**Chief Executive, Joint Office of Gas Transporters**