Modification Report
Change to Measurement Provisions Change Process
Modification Reference Number 0165V
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

Background

Where capitalised words and phrases are used within this Modification Proposal, those words and phrases shall usually have the meaning given within the Uniform Network Code (unless they are otherwise defined in this Modification Proposal). Key UNC defined terms used in this Modification Proposal are highlighted by an asterisk (*) when first used. This Modification Proposal, as with all Modification Proposals, should be read in conjunction with the prevailing UNC.*

Under sections I2.2, J5.2 and J6.4 of the Uniform Network Code (UNC), no part of a Network Entry Agreement* (NEA) or Network Exit Agreement* (NExA) can be altered without either the written consent of all Users* at the System Point* or by way of a UNC Modification Proposal (for the avoidance of doubt, Storage Connection Agreements* and Interconnector Agreements are deemed to be both NEA and NExA as applicable). Typically, amendments have in the past been progressed as UNC modifications due to the practical issues of obtaining multiple consents from a large number of Users.

The Measurement Provisions* section within every NEA and NExA contains technical details of the metering, sampling, analysis and other equipment required at the System Point. Currently, where contractual capacity at a System Point is increased beyond the ability of the metering equipment to measure it (for example through the commissioning additional salt cavities or the installation of site compression), it is necessary to raise a UNC Modification Proposal before any physical work to extend the measurable range or replace the equipment can be undertaken. Since August 2006 there have been three Modification Proposals raised to change the Measurement Provisions in different NEAs, increasing the Permitted Ranges* for metering and updating references to metering standards[1]. As the number of Entry and Exit Points with multiple Users increases and the sites themselves expand, there are likely to be more Modifications of this type raised and hence the Modification process will be become more congested.

The Proposal

It is proposed that to improve the efficiency of the Modifications process, the UNC is amended to allow the Permitted Ranges within the Measurement Provisions section of a NEA or NExA to be increased with only the agreement

[1] Mod 93: Amendment of Interconnector UK's Meter Flow Rate; Mod 110: Amendment of PX's Network Entry Agreement; Mod 153: Amendment of Interconnector UK's Network Entry Provisions

of the Relevant Transporter* and either the Delivery Facility Operator*, Connected System Operator*, Storage Operator* or Gas Consumer* as appropriate. The relevant Transporter will notify the relevant Users at the site of the proposed changes, allowing a minimum of five working days to receive any representations from relevant Users. Where one or more relevant Users object to the proposed changes or an agreement cannot be arrived at, the changes will then be progressed through the existing UNC modifications process.

If this Proposal is not implemented, all changes to the Measurement Provisions would continue to require either written consent from all Users at the System Point or be taken through the UNC Modification process, tying up the time and resources of industry parties and decreasing the efficiency of the process.

Suggested Text

The Proposer has suggested the following text:

UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL DOCUMENT

SECTION I – ENTRY REQUIREMENTS

Amend paragraph 2.2.2 to read as follows:

"2.2.2 The Transporter will not agree (for the purposes of paragraph 2.2.1) to a modification of the Network Entry Provisions applicable pursuant to paragraph 2.3.1 except:

(a) in relation to increases to any Permitted Ranges contained in the Network Entry Provisions:

(i) where, within five (5) Business Days of the Transporter notifying the proposed increases to the Permitted Ranges, none of the Users who are registered at the date of such notice as holding NTS Entry Capacity at the Aggregate System Entry Point in which the relevant System Entry Point is comprised object to the proposed increases to the Permitted Ranges; or

(ii) in accordance with paragraph 2.2.3;

(b) in relation to the Network Entry Provisions (other than increases to the Permitted Ranges):

(i) with the consent in writing of all Users who are registered at the date when such amendment is to take effect as holding NTS Entry Capacity at the Aggregate System Entry Point in which the relevant System Entry Point is comprised; or

(ii) in accordance with paragraph 2.2.3."

Amend paragraph 2.2.7 to read as follows:

"2.2.7 For the purposes of this paragraph 2:

(a) "**Inert Gas Limits**" means in the case of:

(i) carbon dioxide, the limit shall be not more that 2.5% (molar);

(ii) nitrogen, there shall be no direct limit;

(b) "**Permitted Ranges**" means the minimum and/or maximum ranges (as specified in the relevant Measurement Provisions) for each part of the Measurement Equipment."

UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL DOCUMENT

SECTION J – EXIT REQUIREMENTS

Insert a new paragraph 4.3.6 as follows:

"4.3.6 The Transporter will not agree to a modification of the Network Exit Provisions applicable to a System Exit Point except:

(a) in relation to increases to any Permitted Ranges contained in the Network Exit Provisions:

(i) where, within five (5) Business Days of the Transporter notifying the proposed increases to the Permitted Ranges, none of the Registered Users or CSEP Users (as the case may be) at the System Exit Point object to the proposed increases to the Permitted Ranges; or

(ii) in accordance with paragraph 4.3.7;

(b) in relation to the Network Exit Provisions (other than increases to the Permitted Ranges):

(i) with the consent in writing of all Users who are the Registered Users or CSEP Users (as the case may be) at the date when such amendment is to take effect at the System Exit Point; or

(ii) in accordance with paragraph 4.3.7.

For the purposes of this paragraph 4.3.6, "**Permitted Ranges**" means the minimum and/or maximum ranges (as specified in the Network Exit Provisions) for each part of the metering, sampling, analysis and other equipment required by the Network Exit Provisions to be installed in respect of the relevant NExA Supply Meter Point."

Insert a new paragraph 4.3.7 as follows:

"4.3.7 Where the Transporter and the relevant consumer or Connected System Operator (as the case may be) have agreed (subject to a Code Modification) upon an amendment to any such Network Exit Provisions, such Network Exit Provisions may be amended for the purposes of the Code by way of Code Modification pursuant to the Modification Rules."

Amend paragraph 5.2.1 to read as follows:

"5.2.1 Where Supply Point Network Exit Provisions made with the consumer are in force and there is a Registered User in respect of the NExA Supply Meter Point, the Transporter will not agree to any modification of the Network Exit Provisions except in accordance with Section J4.3.6.

Amend paragraph 6.4.1 to read as follows:

"6.4.1 The Transporter will not agree with the Connected System Operator to amend any provision of CSEP Network Exit Provisions which governs or otherwise is directly relevant to the arrangements between the Transporter and Users pursuant to the Code except in accordance with Section J4.3.6."

2 Extent to which implementation of the proposed modification would better

facilitate the relevant objectives

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

(i) between relevant shippers;…

SSE expressed the concern that implementation might not facilitate the achievement of this objective. It believed that consultation with only the relevant Users was not in the best interest of every market participant and that all parties ought to be made aware of all measurement changes. This aspect of transparency was reflected in comments made by other respondents.

Standard Special Condition A11.1 (e): so far as is consistent with sub-paragraphs (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 may assist the achievement of this objective by minimising delays in changing NEAs that may cause a constraint to additional gas entry capability, which could otherwise provide a disincentive to bringing gas supplies to the UK.

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

Alterations to the Measurement Provisions have in the past been non-contentious as they typically involve simple technical 'housekeeping' tasks such as expanding metering ranges or updating references to standards. Therefore, where agreement on an increase to the Permitted Ranges can be reached between the Relevant Transporter and either the Delivery Facility Operator, Connected System Operator, Storage Operator or Gas Consumer, it is considered unnecessarily bureaucratic to oblige the parties to engage with the wider industry beyond the relevant Users. In lowering the number of these simple 'housekeeping' changes, the workload of the industry parties and the UNC Modification Panel will be streamlined and the efficiency of the process will be enhanced.

SGN was concerned, however, with lack of specific provisions in certain sections of the Suggested Text., particularly where there is lack of agreement amongst the parties at an entry or exit point.

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

Implementation, by providing a more streamlined consultation process, could improve security of supply by reducing the risk of new gas supplies being stranded. Implementation would also more quickly align technical agreements with operational realities.

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

a) Implications for operation of the System:

In fast-tracking certain changes to the Measurement Provisions, there will be an improvement in matching Users' requirements of the System with the actual operational capabilities.

b) Development and capital cost and operating cost implications:

Implementation of this Proposal would reduce the ongoing operating costs associated with developing and reviewing modification proposals.

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

No proposal is made for the recovery of implementation costs.

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

In the event that the Proposal is not implemented, there is a risk that NEAs and NExAs would not be aligned with the physical assets, due to the duration of the Modification process.

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 requirement 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)

By reducing the amount of time and resource that Users spend on raising and reviewing Modifications associated with minor contractual changes, it is anticipated that Users' administrative and operational costs will decrease.

Development and capital cost and operating cost implications

No implications have been identified.

Consequence for the level of contractual risk of Users

In terms of protecting any consequent contractual risk, Users at the specific entry or exit points will still have opportunity to object to a change in the measurement provisions. However, some respondents were concerned that the minimum period of time for objection would be set at five Business Days and that there would be a lack visibility for Users not associated with the entry points or exit points that were the subject of a measurement change.

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

Implementation would benefit all Users and other parties listed above by streamlining both technical changes to contractual Measurement Provisions contained within NEAs and NExAs and ensuring that the UNC Modification process does not become congested.

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 for Transporters.

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

Advantages

Implementation would allow increases to the Permitted Ranges contained within the Measurement Provisions section of NEAs and NExAs to be agreed between the Relevant Transporter and either the Delivery Facility Operator, Connected System Operator, Storage Operator or Gas Consumer, freeing up the UNC Modification Process.

Disadvantages

BGT pointed out that implementation might lead to the wider community losing sight of changes at specific entry points to provide greater throughput.

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:

British Gas Trading	(BGT)	Support
EDF Energy	(EDFE)	Support
E.ON UK	(E.ON)	Support
National Grid Gas Distribution	(NGD)	Support

National Grid NTS	(NGNTS)	Support
RWE Npower	(RWE)	Support
Scotia Gas Networks	(SGN)	Not in Support
Scottish and Southern Energy plc	(SSE)	Not in Support
Wales & West Utilities	(WWU)	Support

Thus, seven supported but two did not support implementation.

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

None 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

None identified.

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

None identified.

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

It is recommended that the whole of this Proposal be implemented by 01/01/2008.

16 Implications of implementing this Modification Proposal upon existing Code Standards of Service

None 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 20 December 2007, of the 9 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

The Modification Panel did not request legal text.

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters