

0XXX: OAD Section I Amendment to the threshold for Low Demand Days.

- 01 Proposal
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

Before the Gas Day if the demand for that day is forecast to be less than 50% of the 1 in 20 peak day demand for each Local Distribution Zone (LDZ), National Grid Transmission (NTS) can declare a Low Demand Day, requiring the affected Distribution Network Operator (DNO) to flow a flat profile. It is proposed that this threshold should be changed such that if the demand for the day is forecast to be less than 25% of the 1 in 20 peak day demand, NTS can call a Low Demand Day.



The Proposer recommends That this Modification Proposal should proceed to the consultation phase.



High Impact: None identified.



Medium Impact: None identified.



Low Impact: National Grid Transmission & Distribution Network Operators.

Contents

- 1 Summary
- 2 Why Change?
- 3 Solution
- 4 Relevant Objectives
- 5 Impacts and Costs
- 6 Implementation
- 7 The Case for Change
- 8 Recommendation

About this document:

This document is a proposal, which will be presented by the Proposer to the Panel on XX XXXX 200X. The Panel will consider the Proposer’s recommendation, and agree whether this modification should proceed to consultation or be referred to a Workgroup for assessment.

This is a modification template. The Proposer is asked to complete at least Sections 1 to 4 (setting out what is proposed and the justification for the change). If it is proposed that the modification is issued directly to consultation, all parts of the template must be completed. If all parts are not completed these will be refined by the Workgroup process.

As Ofgem is currently conducting a Significant Code Review (SCR), a modification proposal may not be made if the subject matter of such proposal relates to a matter that is the subject of the SCR, unless Ofgem directs otherwise. Please do not, therefore, raise modifications which relate to the SCR.

If the impact of the modification on greenhouse gas emissions is likely to be material, please assess the quantifiable impact in accordance with the Carbon Costs Guidance published by Ofgem).

The Joint Office will be available to help and support the drafting of any modifications, including guidance on completion of this template and the wider modification process. Contact: enquiries@gasgovernance.co.uk or 0121 623 2115.

Xserve will also be available to help and support the drafting of any modifications which impact central systems, including guidance on potential systems impacts and the drafting of business rules which reflect system capabilities. Contact: commercial.enquiries@xoserve.com.



3 **Any questions?**

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Transporter:
National Grid Gas
Distribution.

0xxx

Modification

Day Month Year

Version 1.0

Page 2 of 9

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1 Summary

Is this a Self Governance Modification

Self Governance procedures are not proposed.

Why Change?

The current arrangements provide an entitlement to NTS to call a Low Demand day if the 50% threshold is breached. Whilst in practice NTS may choose not to exercise this right in all circumstances, the DNOs will have to maintain processes and resources to enable compliance with the contract. This predicament may exist for more than half of the year.

Solution

Lowering the threshold to 25% of the 1 in 20 peak day demand by LDZ would be estimated to reduce the number of days when this could be enforced significantly i.e. it is likely that it might apply to approx four months rather than potentially seven months of each year. These affected months would probably be the summer when the additional profiling workload could be accommodated.

Impacts & Costs

This Modification Proposal would affect NTS and the DNOs particularly in relation to their control room functions which are currently under review in light of the reform to the exit arrangements. Additional monitoring/profiling costs would be incurred should this Modification Proposal not be implemented.

There are no significant cost implications associated with the implementation of this Modification Proposal.

Implementation

Implementation can become effective immediately following direction from Ofgem.

The Case for Change

If the threshold is not reduced and the existing threshold is enforced the DNOs will be at risk of a potential workload increase for shift operators for 6 months of the year. The Proposer believes that by amending the contract in a way which allows both the upstream and downstream Transporters to more effectively operate their systems in line with true requirements and equitable constraints, is consistent with the promotion of SSC A11.1 (a) & (b).

The Proposer also believes that amending the existing rules which have no sound basis is consistent with the promotion of SSC A11.1 (f).

Recommendations

This Modification Proposal has been developed within the Offtake Arrangements Workstream as part of CODE REVIEW PROPOSAL No 0316: Review of Section I of the Offtake Arrangements Document (OAD): NTS Operational Flows. All DNOs have participated in this review as has NGT. This proposal has been raised as a consequence of this group's findings.



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What is the impact of a Low Demand Day?

For a low demand day the DNO must operate the LDZ and each Offtake such that the EFQ for such Day in respect of all the Offtakes for that LDZ in aggregate is not greater than zero.

The EFQ calculation is:

$$EFQ = (Q2200 * (1 - FT)) - (QD * 16/24)$$

EFQ is Exit Flexibility Quantity
Q2200 is the volume of gas flowed between 06:00 and 22:00

FT is the Flexibility tolerance which is 0.015 (1.5%)

QD is the volume of gas flowed for the whole day

This checks the 22:00 volume against a flat profile based on the end of the day volume with a 1.5% tolerance.

0xxx

Modification

Day Month Year

Version 1.0

Page 3 of 9

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2 Why Change?

In line with the current requirements of the Offtake Arrangements Document (OAD I 2.6) before the Gas Day (in the first LDZ demand forecast), if the demand for that day is forecast to be less than 50% of the 1 in 20 peak day demand for each LDZ, NTS can declare a Low Demand Day. If NTS enforce this requirement, the relevant DNO is required to flow a flat profile for that day in line with TPD B3.13.5. Based on seasonal normal demand conditions this requirement could apply to over half of the year (late March to early November). If enforced this would unnecessarily increase the monitoring requirements for the DNOs' control rooms particularly during the Spring and Autumn months, when day to day demand can vary dramatically.



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3 Solution

It is proposed that the threshold should be reduced from 50% to 25% of the 1 in 20 peak day demand by LDZ would be estimated to reduce the number of days when this would be likely to be enforced. The effect of this change is shown in the diagram below:

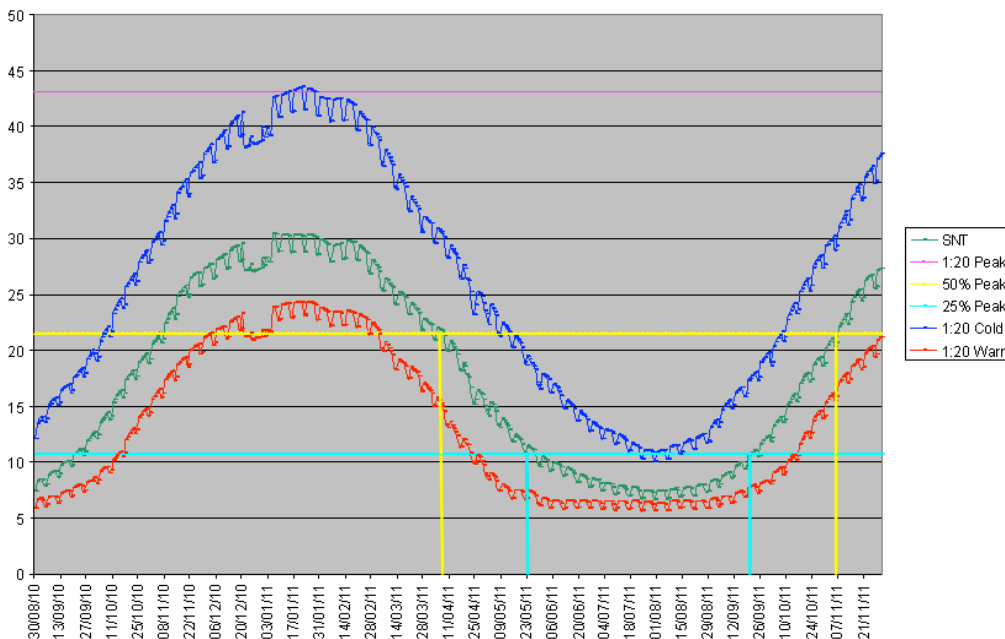


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Example LDZ Demand 2010/11 - 100% Peak, 50% Peak and 25% Peak



0xxx

Modification

Day Month Year

Version 1.0

Page 4 of 9

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4 Relevant Objectives

The Proposer believes that implementation will better facilitate the achievement of **Relevant Objectives a, b, c, d, e and f.**

Proposer's view of the benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	yes
b) 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.	yes
c) Efficient discharge of the licensee's obligations.	no
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	no
e) 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.	no
f) Promotion of efficiency in the implementation and administration of the Code	yes

The following section should explain how each of the impacts identified above would arise and so further the objective identified.

NGD believes that amending the contract to more accurately reflect the practical/operational requirements of both the upstream and downstream transporter is consistent with promotion of SSCA11.1 (a) & (b).

NGD also believes that this Proposal is consistent with the achievement of the following Relevant Objective:-

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. The current contractual terms relating to Low demand days can no longer be proven to have a sound basis. As a consequence to amend them to the satisfaction of all parties and remove redundant terms is consistent with this objective.



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0xxx

Modification

Day Month Year

Version 1.0

Page 5 of 9

Insert heading here

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5 Impacts and Costs

Costs

There are no costs associated with the implementation of this Proposal.

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> None
Operational Processes	<ul style="list-style-type: none"> Operational processes will be amended to reflect the revised thresholds.
User Pays implications	<ul style="list-style-type: none"> none



Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> None
Development, capital and operating costs	<ul style="list-style-type: none"> None
Contractual risks	<ul style="list-style-type: none"> None
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> This proposal will affect the control room functions/processes for NTS and the DNOs.
Development, capital and operating costs	<ul style="list-style-type: none">
Recovery of costs	<ul style="list-style-type: none"> No additional cost recovery is proposed.
Price regulation	<ul style="list-style-type: none"> None
Contractual risks	<ul style="list-style-type: none"> This proposal if implemented would limit the risks for DNOs whilst having little if any affects on the risks for NTS.
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> This proposal if implemented would amend the contractual obligations for Transporters.
Standards of service	<ul style="list-style-type: none"> No impact.

0xxx

Modification

Day Month Year

Version 1.0

Page 6 of 9

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Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> None
UNC Committees	<ul style="list-style-type: none"> None
General administration	<ul style="list-style-type: none"> None.

Impact on Code	
Code section	Potential impact
Offtake Arrangements Document Section I 2.6.	The threshold in this section will be amended.

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	none
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	none
Storage Connection Agreement (TPD R1.3.1)	none
UK Link Manual (TPD U1.4)	none
Network Code Operations Reporting Manual (TPD V12)	none
Network Code Validation Rules (TPD V12)	none
ECQ Methodology (TPD V12)	none
Measurement Error Notification Guidelines (TPD V12)	none
Energy Balancing Credit Rules (TPD X2.1)	none
Uniform Network Code Standards of Service (Various)	none

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	none
Gas Transporter Licence	none

Other Impacts	
Item impacted	Potential impact
Security of Supply	none
Operation of the Total System	The proposal to change the current threshold will allow the setting of a threshold which allows both the upstream and downstream transporters to operate their systems efficiently.
Industry fragmentation	none
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	none

DRAFT

6 Implementation

Implementation can become effective immediately upon direction from Ofgem.

7 The Case for Change

This section allows further development of the case than is included in the earlier summaries

In addition to that identified the above, the Proposer has identified the following:

Advantages

Allows both NTS and the DNOs to achieve desired flexibility with regard to managing flows without adversely impacting each other.

Disadvantages

None identified.

8 Recommendation

The Proposer invites the Panel to:

- DETERMINE that Modification XXXX progress to workstream



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Modification

Day Month Year

Version 1.0

Page 9 of 9

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