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## Report for Modification Panel

### June 2005

### Distribution Workstream

#### Meetings Held

Thursday 26 May 2005, Distribution Workstream

Thursday 2 June 2005, 005(0726) Modification Proposal Development

Monday 6 June 2005, Mod 005(0726), Draft Credit Modifications.

#### Planned

The next Workstream meeting is scheduled for Thursday 23 June 2005, 10:00, 10 Old Bailey.

#### Matters for Panels Attention

Attached Workstream report 0005(0726) 'Provision of a Guarantee of Pressure for Meter Points operating above 21 mbar by the Relevant Transporter' which the Workstream consider is ready to proceed to Consultation and ask the Panel to make a determination.

#### Modifications Activity

##### Modification(s) Raised:

- 0023 'Re-assessment of User Unsecured Credit Limits'
- 0024 'Independent security provision by an entity with an Investment Grade Rating of 'A' or above'
- 0025 'Notice Period for Credit Limit Downgrade and Remedies for Non-compliance'
- 0026 'Application of Charges consistent with Late Payment of Commercial Debts (interest) Act 1998'
- 0027 'Right of Set Off under Uniform Network Code'
- 0028 'Third Party Undertakings'

##### Draft Modification(s) Report out for representation:

- 0017 'Amendments to the provisions governing "failure to obtain readings"  
*Reps close out 15/06/05*

##### Final Modification(s) Report Submitted: None

##### Modification(s) Implemented:

- 0012 'New Seasonal Demand Derivation and Associated AQ Impacts' *Implemented 01/06/05*
- 0015 'To allow the use of an Old Supplier Estimated Read as a Change of Supplier Meter Reading'  
*Implemented 02/06/05*
- 0018 'Transitional arrangements for the review and calculation of Annual Quantities for Gas Years 2005/6, 2006/7, 2007/8, and 2008/9' *Implemented 01/06/05*

## Topics Activity

The Following Topics were agreed and prioritised:

- 001Dis **Primary and Sub-deduct & Unique Sites Metering arrangements**  
Expiry Metering arrangements transitional provisions
- 002Dis **Isolations for Prime & Sub-deducts**  
Arrangements for Isolations
- 003Dis **Credit Consultations**  
5 Draft Modification Proposals seeking to implement recommendations identified within Ofgem's 'Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover'.
- 004Dis **Third Party Undertakings**  
Draft Modification Proposal UNC Requirements
- 005Dis **Shipper Initiated Capacity Referrals**  
More information will be provided at next Workstream meeting
- 006Dis **DN Interruption**  
Topic for future consideration as part of the exit reform
- 007Dis **Must Reads (on hold)**  
Clarification sort on Must Read Modification history

## Distribution Workstream – Modification Status Report

June 2005

UNC Mod Ref	Old Mod Ref	Mod Title	Received	Organisation	Status	Status Update	Next Process
0005	0726	Provision of a Guarantee of Pressure for Meter Points operating above 21 mbar by the Relevant Transporter	28-Oct-04	Steve Mulinganie (BP Gas Marketing)	Allocated to Workstream	18-Nov-04	<i>Workstream report to Panel (proposal verified as discussed at Workstream)</i>
0007	0728	Provision and Maintenance of Large Firm Supply Point Emergency Contact Information by the Gas Transporter	08-Nov-04	Steve Mulinganie (BP Gas Marketing)	Reps close out	23-May-05	<i>Final Mod report due 14/6</i>
0012	0739	New Seasonal Demand Derivation and Associated AQ Impacts	10-Jan-05	Transco	Implemented	26-May-05	<i>Future Version of Network Code</i>
0015	0742	To allow the use of an Old Supplier Estimated Read as a Change of Supplier Meter Reading	10-Feb-05	E.ON UK plc	Implemented	01-Jun-05	<i>Future Version of Network Code</i>
0017	n/a	Amendments to the provisions governing "failure to obtain readings"	11-May-05	Transco	DMR out for reps	24-May-05	<i>Reps close out 15/6</i>
0018	n/a	Transitional arrangements for the review and calculation of Annual Quantities for Gas Years 2005/6, 2006/7, 2007/8, and 2008/9	06-May-05	Transco	Implemented	01-Jun-05	<i>Future Version of Network Code</i>
0023	n/a	Re-assessment of User Unsecured Credit Limits	09-Jun-05	Transco	To Panel	09-Jun-05	<i>Panel Decision 16/6</i>
0024	n/a	Independent security provision by an entity with an Investment Grade Rating of 'A' or above	09-Jun-05	Transco	To Panel	09-Jun-05	<i>Panel Decision 16/6</i>

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0025	n/a	Notice Period for Credit Limit Downgrade and Remedies for Non-compliance	09-Jun-05	Transco	To Panel	09-Jun-05	<i>Panel Decision 16/6</i>
0026	n/a	Application of Charges consistent with Late Payment of Commercial Debts (interest) Act 1998	09-Jun-05	Transco	To Panel	09-Jun-05	<i>Panel Decision 16/6</i>
0027	n/a	Right of Set Off under Uniform Network Code	09-Jun-05	Transco	To Panel	09-Jun-05	<i>Panel Decision 16/6</i>
0028	n/a	Third Party Undertakings	09-Jun-05	Transco	To Panel	09-Jun-05	<i>Panel Decision 16/6</i>

### Distribution Workstream – Topic Status Report

June 2005

Topic No	Date Created	Topic Originator	Topic Title	Associated Modification Proposal(s)	Priority for Discussion (H/M/L)	Description	Next Step
<b>Active</b>							
001Dis	31/08/2004	Transco	Primary and Sub-deduct & Unique Sites Metering arrangements		M	Expiry of Primary and Sub-deduct & Unique Sites Metering arrangements transitional provisions	Allow sub group to decide priority.
002Dis	26/05/2005	Transco	Isolations for Prime & Sub-deducts		H	Arrangements for Isolations	Transco to provide paper setting out position.
003Dis	26/05/2005	Transco	Credit Consultations	0023, 0024, 0025, 0026, 0027	H	UNC requirements as a consequence of Ofgem's review of Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover.	5 Proposals to Panel
004Dis	26/05/2005	Transco	Third Party Undertakings	0028	H	UNC requirements – Third Party Undertakings	1 Proposal to Panel
005Dis	26/05/2005	Transco/Total	Shipper Initiated Capacity Referrals		H		More information to be provided at next workstream meeting.
006Dis	26/05/2005	BGT	DN Interruption		L	As part of exit reform.	For future consideration
<b>On Hold</b>							
007Dis	26/05/2005	WWU	Must Reads		L		WWU to review previous modifications

**Workstream Report**

**Provision of a Guarantee of Pressure for Meter Points operating above 21 mbar  
by the Relevant Transporter**

**Modification Reference Number 0005(0726)**

Version 1.0

This Workstream Report is presented for the UNC Modification Panel's consideration. The consensus of attendees at the Distribution Workstream is that this Modification Proposal is sufficiently developed to proceed to consultation. However, the Workstream recommend a thirty day period for representations rather than the standard fifteen days.

**1. The Modification Proposal**

To place an obligation on the relevant Gas Transporter to agree to provide pressure in excess of 21 mbar at the ECV of a service where this can be physically supported under normal operating conditions.

To place the obligation on the relevant Gas Transporter to maintain a pressure in excess of the statutory minimum at the ECV of a service where an agreement exists to provide an agreed pressure.

Following development initially in the SPA Billing Workstream and subsequently in the Distribution workstream of the UNC additional clarity has been achieved as to the optimum solution for delivering such a guarantee. Therefore the workgroup has asked, and BP has agreed, to redraft our original request to provide a greater degree of granularity as to how such a regime would operate.

The groups also identified the concept of an Ancillary Agreement within the UNC and that it could be utilised to meet this requirement. It was felt the drafting of such an agreement would generally be generic and that only site specific information would be unique.

Following significant discussion it has become clear that such arrangements should be entered into by the consumer and the Relevant Transporter and as such are Bi-lateral agreements. Such an approach avoids the complexities associated with a Tri-partite agreement of Consumer, Relevant Transporter and Shipper / Supplier and negates the need to re-enter into arrangements whenever a Change of Supplier takes place. This approach also removes the potential for significant system enhancement which would arise from a Tri-partite arrangement.

The nature of the proposal is to facilitate in the UNC (via an enduring and generally generic Ancillary Agreement) the ability for the Consumer to enter into arrangements with the Relevant Transporter to receive a Guarantee of Pressure for Meter Points operating above 21 mbar. The procedure would be as set out in the Document "The Procedure for requesting a Provision of a Guarantee of Pressure for Meter Points operating above 21 mbar by the Relevant Transporter Version 0.1" which would be referenced in the UNC

**2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

By ensuring that any pressure service provided at a meter point remains available if and when the Shipper or Supplier is changed, implementation of this Proposal would facilitate the securing of effective competition between relevant Shippers and between relevant Suppliers. This would also be facilitated since pressure services would be available on a non-discriminatory basis, dependent on the meeting of consistent criteria in all cases.

If, as a result of implementation of the Proposal, the Transporters operate their systems at higher cost in order to maintain pressures at affected sites, and the additional cost exceeds Users' willingness to pay for the service provided, this would not facilitate the efficient and economical operation of the pipe-line systems.

If implementation of the Proposal were to lead to the Transporters investing in network development at a cost which exceeded Users' willingness to pay for the service provided, this could be regarded as inconsistent with the licensees' Gas Act obligations with respect to economic and efficient development of the pipe-line system, and hence with GT Licence obligations.

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

No such implications have been identified.

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

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

Transporters' Systems may in part be operated at higher pressures in order to ensure that any new Transporter obligations with respect to provision of minimum pressures are met.

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

Transporters have not provided an estimate of any additional costs which may arise were the Modification Proposal to be implemented. However, both operational (including monitoring) costs and administrative costs (associated with preparing and managing ancillary agreements) would be incurred.

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

If additional costs are incurred to provide a service to a particular load, the Transporters believe it would be appropriate for those costs to be recovered from the load which receives the enhanced service.

Shippers attending the Workstream felt that, consistent with the existing siteworks process, it would only be appropriate for Transco to pass on costs in the case of new loads, or existing loads seeking to change the service received. No costs should be faced in the case of loads seeking to formalise the continued provision of an enhanced pressure service.

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

If the Modification Proposal were implemented, the Transporters would need to consider whether it was appropriate to propose changes to their Transportation Charging methodologies with a view to better reflecting costs incurred.

**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**

Implementation of the Modification Proposal would extend the Transporters' obligations and so increase the level of contractual risk. However, clarification of the existing contractual position and consequent removal of ambiguity may be expected to reduce the level of contractual risk.

**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**

Provided no obligation is placed on Transporters which would require identification of meter points subject to an enhanced pressure service, for example by a system flag, no systems impacts are anticipated by either Transporters or Users.

**7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

The administrative costs of Users would be increased to the extent that they enter into and manage Ancillary Agreements, or advise end users about such agreements.

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

Consumers would have increased confidence regarding the continued provision of enhanced pressures, enabling them to invest in appropriate plant and equipment.

**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**

To the extent that Ancillary Arrangements were agreed between Transporters and end users as a result of implementation of the Modification Proposal additional, but largely generic, contractual relationships would be created.

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

**Advantages**

- Provides clarity for consumers that existing arrangements for enhanced pressure services will continue.
- Provides increased confidence that enhanced pressure services would continue to be made available on a non-discriminatory basis



- Clarifies contractual position in UNC by formalising provision of enhanced pressure arrangement

**Disadvantages**

- Potentially increases the costs of system development and operation
- Reduces flexibility of system operation
- Increases administrative costs
- Resource intensive initial validation of existing sites.

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

The report reflects issues raised at Workstream meetings. No written representations have been received.

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

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

**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**

Implementation is not 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.

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

No programme of works would be required as a consequence of implementing the Modification Proposal.

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

The Proposer believes that implementation should follow immediately when Ofgem's direction is received. Transco suggests that it would be appropriate for the necessary supporting documentation to be developed and agreed prior to implementation of the Modification Proposal.

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

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

**17. Text**

No legal text has been developed by the Proposer or within the Workstream.