

## Stage 03: Draft Modification Report

# 0370:

## Continuation of CV determination by National Grid Transmission on behalf of DNOs.

What stage is this document in the process?



This Proposal would allow the continuation of a service, which is currently being undertaken by National Grid Transmission (NGT) on behalf of Distribution Network Operators. The Service currently has an expiry date of 31<sup>st</sup> March 2007. It would also permit NGT to withdraw from the service with the correct notice to the relevant parties.



The Panel recommends that this self-governance modification be issued for consultation.



High Impact:



Medium Impact:



Low Impact:

National Grid Transmission & Distribution Network Operators.

0370

Modification

21 March 2011

Version 2.0

Page 1 of 11

© 2011 all rights reserved

## Contents

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

## About this document:

This document is a Draft Modification Report, which was issued for consultation responses, at the request of the Panel on 17 March 2011.

The close-out date for responses is 08 April 2011.

The Panel will consider the responses and agree whether or not this self-governance modification should be made.



3 **Any questions?**

5 Contact:  
**Joint Office**

6  [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

7  
8  **0121 623 2115**

11 **Proposer:**  
11 **Alison Chamberlain**

11  [alison.chamberlain@uk.ngrid.com](mailto:alison.chamberlain@uk.ngrid.com)

11  **01926 653994**

Transporter:  
National Grid Gas  
Distribution.



 **01926 653000**



[commercial.enquiries@xoserve.com](mailto:commercial.enquiries@xoserve.com)

0370

Modification

21 March 2011

Version 2.0

Page 2 of 11

© 2011 all rights reserved

# 1 Summary

## Is this a Self Governance Modification?

Yes.

The Modification Panel determined that this modification meets the self-governance criteria - implementation would be unlikely to have a material effect on either:

existing or future gas consumers; or

competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; or

the operation of one or more pipe-line system(s); or

matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; or

the uniform network code governance procedures or the network code modification procedures.

## Why Change?

The basis on which National Grid Gas Transmission (NGT) will determine daily calorific values (CVs) on behalf of each DNO is detailed in the Offtake Arrangement Document Section F. The arrangement has an expiry date of 31<sup>st</sup> March 2007, which has now lapsed. The original clause contained provisions allowing any DNO to elect to determine daily CVs itself. It is not proposed to change this clause. It is however proposed to add a clause which allows NGT to terminate the arrangements upon not less than six months notice which provides protection for all parties.

## Solution

At this point NGT has agreed to continue the service of determining the daily average flow weighted CVs for all DNOs and the purpose of this Modification Proposal is to facilitate the continuation of that service provision and to provide clarity to with regards to all parties' rights to withdraw from the service.

## Impacts & Costs

The Modification Proposal if implemented would remove the existing end date from Offtake Arrangements Document Section F 1.1.1 and facilitate the continuation of service provision by NGT. Whilst a Modification Proposal is required to give effect to this change the Proposer does not believe that there would be any impact on Users

## Implementation

Implementation would be effective 15 business days after a Modification Panel decision to implement this self-governance modification.

0370  
Modification

---

21 March 2011

---

Version 2.0

---

Page 3 of 11

---

© 2011 all rights reserved

## The Case for Change

Whilst the UNC does not currently prevent NGT from undertaking this service on behalf of DNOs, due to the existence of the date in OAD Section F 1.1.1 (c) which has long since expired the Proposer believes that this could cause confusion.

NGD 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. It would add clarity to the contractual terms by removing a date which has long since passed. The use of a single source provider for the determination of daily CV's offers some efficiency advantages versus each DNO undertaking the process in isolation. The addition of a clause allowing NGT to withdraw from the service, with a suitable minimum notice period, provides adequate protection for all parties.

## 2 Why Change?

In accordance with part 4A of the Gas (Calculation of Thermal Energy) Regulations, each Distribution Gas Network Operator (DNO) has the responsibility of obtaining and determining the daily average flow weighted calorific value of the gas transported within its charging area. At the time of network separation this activity remained with National Grid Gas Transmission (NGT). The basis on which NGT will determine daily calorific values (CVs) on behalf of each DNO is detailed in the Offtake Arrangement Document Section F. This arrangement currently has an expiry date of 31<sup>st</sup> March 2007, written into the existing contractual terms.

The UNC does not currently prevent NGT from undertaking this service on behalf of DNOs. However, due to the existence of the date in OAD Section F 1.1.1 (c) which has long since expired, the Proposer believes that this could cause confusion as it suggests that NGT may no longer undertake the activity. This Proposal will remove this expired date and facilitate the continuation of existing arrangements.

0370

Modification

---

21 March 2011

---

Version 2.0

---

Page 5 of 11

---

© 2011 all rights reserved

## 3 Solution

It is proposed that the Offtake Arrangements Document (section F) be modified in line with the legal text which has been tabled at the Offtake Arrangements Workstream. This would facilitate the continuation of the existing service whilst allowing NGT to withdraw from the service with notice to the relevant parties. Suggested text as follows:

### UNIFORM NETWORK CODE – OFFTAKE ARRANGEMENTS DOCUMENT SECTION F DETERMINATION OF CALORIFIC VALUE

#### 1 General

##### 1.1 Introduction

1.1.1 This Section F sets out:

- (a) provisions for the avoidance or minimisation of CV shrinkage;
- (b) terms for the provision by one Party to another of data for the purposes of determining daily CVs;
- (c) the basis on which National Grid NTS will ~~until 31 March 2007~~ determine daily CVs on behalf of each DNO.

#### 4 ~~Transitional~~ Arrangements for Determination of Daily CVs

##### 4.1 Determination of Daily CVs

- 4.1.1 *Subject to paragraphs 4.1.2 and 4.1.3*, National Grid NTS agrees to determine daily CVs for each charging area within the area of the DNO's System on behalf of each DNO.
- 4.1.2 *National Grid NTS may elect to terminate the arrangements described in this paragraph 4 upon not less than 6 months' notice to each DNO, which notices shall be irrevocable. Upon the expiry of each such notice the relevant DNO shall itself determine daily CVs for the charging areas within the area of its DNO System and (subject to paragraph 3) National Grid NTS shall have no responsibility to any DNO in connection with such determination.*
- 4.1.3 *Until such time as notice has been served by National Grid NTS in accordance with paragraph 4.1.2*, nothing in this Document shall prevent any DNO from electing itself to make determinations of daily CVs, provided that the DNO shall give notice of such election to National Grid NTS specifying the date (not being less than 6 months after such notice) with effect from which it intends to do so, which notice shall be irrevocable.

0370

Modification

21 March 2011

Version 2.0

Page 6 of 11

© 2011 all rights reserved

## 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.	None
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.	None
c) Efficient discharge of the licensee's obligations.	None
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.	None
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.	None
f) Promotion of efficiency in the implementation and administration of the Code	Yes

National Grid Distribution 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.

It would add clarity to the contractual terms. The use of a single source provider for the determination of daily CVs offers some efficiency advantages versus each DNO undertaking the process in isolation. The addition of a clause allowing NGT to withdraw from the service, with a suitable minimum notice period, provides adequate protection for all parties.

0370

Modification

21 March 2011

Version 2.0

Page 7 of 11

© 2011 all rights reserved

## 5 Impacts and Costs

### Impacts

There are no industry implementation costs.

#### Impact on Transporters' Systems and Process

Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> <li>None</li> </ul>
Operational Processes	<ul style="list-style-type: none"> <li>Continuation of existing service</li> </ul>
User Pays implications	<ul style="list-style-type: none"> <li>None</li> </ul>

#### Impact on Users

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

#### Impact on Transporters

Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> <li>None</li> </ul>
Development, capital and operating costs	<ul style="list-style-type: none"> <li>None</li> </ul>
Recovery of costs	<ul style="list-style-type: none"> <li>None</li> </ul>
Price regulation	<ul style="list-style-type: none"> <li>None</li> </ul>
Contractual risks	<ul style="list-style-type: none"> <li>Contractual clarity would be achieved by removing an historical date and facilitating the continuation of a service.</li> </ul>
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> <li>As above</li> </ul>
Standards of service	<ul style="list-style-type: none"> <li>None</li> </ul>

#### Impact on Code Administration

0370

Modification

21 March 2011

Version 2.0

Page 8 of 11

© 2011 all rights reserved



Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	• None
UNC Committees	• None
General administration	• None

Impact on Code	
Code section	Potential impact
UNC Offtake Arrangements Document Section F	Changes as identified in Section 3.

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	None
Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	None

0370

Modification

21 March 2011

Version 2.0

Page 10 of 11

© 2011 all rights reserved

## 6 Implementation

Implementation would be effective 15 business days after a Modification Panel decision to implement this self-governance modification.

## 7 The Case for Change

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

### Advantages

1. Facilitates the continuation of mutually acceptable existing arrangements.

### Disadvantages

None identified.

## 8 Legal Text

The Proposer has provided Suggested Text, see Section 3, above.

## 9 Recommendation

All parties are invited to consider whether they wish to submit views regarding this self-governance modification.

The close-out date for responses is 08 April 2011, which should be sent to [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk).

A response template which you may wish to use is at <http://www.gasgovernance.co.uk/0370>



---

**Consultation Ends**

---

On 08 April 2011

0370  
Modification

---

21 March 2011

---

Version 2.0

---

Page 11 of 11

---

© 2011 all rights reserved