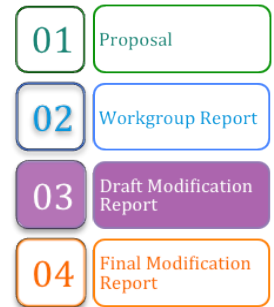


Stage 03: Draft Modification Report

0397S:

Amendments to Section I of the OAD to reflect Offtake Profile Notice rules and recognition of different NTS/LDZ Offtake sensitivities

What stage is this document in the process?



This modification has two central themes:

Recognition that key NTS/LDZ Offtakes need separate rules from the majority of offtakes when determining flow tolerance levels; and

Amends a number of operational timeframes and inconsistencies to better reflect the working practices of National Grid NTS and GDNs



Responses invited by **XX XXXXXX** 2012.



Medium Impact: National Grid NTS and GDNs

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About this document:

This document is a Draft Modification Report, which was issued for consultation responses, at the request of the Panel on 16 February 2012.

The close-out date for responses is **XX XXXXX** 2012.

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



3 **Any questions?**

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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this modification should follow Self-Governance procedures.

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?

It is not possible, nor necessary, for all NTS/LDZ Offtakes to operate within prescribed tolerances of the Prevailing Offtake Rate.

There is an anomaly in Section I of the OAD (I 2.4.3 and I 2.5.3), which details arrangements for flow swaps requested by GDNs or NTS.

Solution

The solutions set out in this proposal have been proposed by Wales and West Utilities following lengthy discussions in Review Group 0316 "Review of Section I of the Offtake Arrangements Document (OAD): NTS Operational Flows".

The relevant Supplemental Agreements will reference any NTS/LDZ Offtake categorised as a 'Designated Offtake'. All other NTS/LDZ or LDZ/LDZ Offtakes will be determined as Non-Designated.

The respective flow profile tolerances and associated OAD Section I requirements will be set by the Offtake designation.

It is proposed that Designated Offtakes and their associated tolerances will be established on a bilateral basis between National Grid NTS and the relevant DNO. Any amendments to designations (categorisation or specific tolerance) can be raised by either National Grid NTS or the relevant GDN at any time, but will only be altered with the agreement of National Grid NTS. Both parties are expected to use reasonable endeavours to reach a mutually acceptable decision with regards to any altered

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designation or tolerance, demonstrating the need for any change and the impact on its system operation if the proposed alteration is not satisfied. Any such change to a Supplemental Agreement will take a maximum of 3 months to be implemented from the time the tolerance is confirmed by National Grid NTS. Any 'new' NTS/LDZ Offtake will have its designation agreed by both National Grid NTS and the relevant GDN

A number of other legal text changes are proposed;

- Lengthening the time for Transporters to provide revised OPNs where flow swaps between 2 Offtakes are agreed between National Grid NTS and the relevant GDN.
- Aligning the level at which Transporters can request / agree flow swaps (i.e. changed so both at LDZ level)

Impacts & Costs

Each Transporter may require limited changes to existing systems. The cost of any changes will be borne by the relevant Transporter. There are no Xoserve/central system implications.

Implementation

As self-governance procedures are proposed, implementation could be 16 business days after a Modification Panel decision to implement.

The Case for Change

Implementation would avoid inefficient processes and hence support efficient operation of the system and efficient implementation of the UNC.

Recommendations

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

2 Why Change?

Prevailing Offtake Tolerances

All NTS/LDZ Offtakes are currently required to offtake gas within prescribed tolerances of the Prevailing Offtake Rate.

- ALL NTS/LDZ Offtakes Within 10% by Offtake
- ALL LDZs Within 3% for all Offtakes measured in aggregate in an LDZ.

It is not possible nor necessary for every Offtake to be operated within these parameters for reasons set out below;

NTS/LDZ Offtakes have different operational characteristics and significance to the National Transmission System.

NTS/LDZ Offtakes are either controlled to a set pressure or volume:

Pressure controlled Offtakes operate to maintain a set pressure at the outlet of the NTS/LDZ Offtake to satisfy the GDNs variable (daily) capacity needs. The rate of offtake is therefore directly driven by the downstream demand (customer profile). Pressure controlled Offtakes generally have smaller capacities that are likely to be of less significance to the NTS.

Volumetric controlled Offtakes operate to maintain a set flow (volume per hour) through the Offtake irrespective of downstream demand. Fluctuations in demand are satisfied through DN storage, often linepack storage within the pipeline. Volumetric Offtakes are likely to have high capacities and have more significant impact on the NTS.

By agreeing designated Offtakes with NG NTS, GDNs can focus its efforts on predicting and managing flows through these sites.

It is anticipated that the number of designated offtakes may alter over time as networks and the demands placed upon them evolve. Therefore this list will be kept under review by the Transporters.

Alignment of OPN revision request criteria

There is an anomaly in Section I of the OAD (I 2.4.3 and I 2.5.3), which details arrangements for flow swaps requested by GDNs or NTS. Currently National Grid NTS can request flow swaps provided that the aggregate OPN remains unchanged at LDZ level, whereas GDNs can only request flow swaps provided that the aggregate OPN remains unchanged within an NTS Exit Zone.

This modification aligns the rules for both parties to flow swap at LDZ level.

3 Solution

Key Proposal

The key proposal is to remove the “one size fits all” treatment of NTS/LDZ Offtakes by categorising as either a;

- (i) Designated Offtake; or
- (ii) Non-Designated Offtake

Non-Designated Offtakes will be required to operate within an OPN tolerance of 1 mcmd and Designated Offtakes will be required to operate to a tolerance which will be specified in the Offtake’s Supplemental Agreement.

Linked to this, amendments to the application of aggregate LDZ OPN tolerances are proposed, to capture specific scenarios where bespoke UNC rules are appropriate for specific LDZs.

The remaining operational changes and solutions are clearly captured in suggested legal text in Section 8; namely

- relaxation of frequency in which a DNO can submit revised Offtake Profile Notices
- removal of requirement to specify Operational circumstances for a DNO flow swap request.
- extension of area for DNO flow swap request from NTS Exit Zone level to LDZ level (providing for consistency with National Grid NTS)

4 Relevant Objectives

Implementation will better facilitate the achievement of **Relevant Objectives b and f.**

The benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	
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.	
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.	
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.	
f) Promotion of efficiency in the implementation and administration of the Code.	Yes
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	

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

The proposed changes allow Transporters to prioritise those Offtakes where operating to a required tolerance benefits the efficient operation of the upstream and downstream Transporter. Similarly, the efficiency of networks is improved by allowing flows to be transferred between Offtakes within the LDZ at the request of either Transporter.

f) Promotion of efficiency in the implementation and administration of the Code

Amending OAD Section I to recognise working practices and to support these practices, where necessary, by reference to Supplemental Agreements promotes efficiency in the administration of the Code. Using individual Supplemental Agreements to reflect specific tolerances for Designated Offtakes allows for changes to be made without having to raise a UNC Modification to alter the OAD on every occasion.

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5 Impacts and Costs

Consideration of Wider Industry Impacts

No impacts identified.

System Implications

There would be little or no system implications for the Transporters resulting from the implementation of this modification as it would be aligning the OAD with existing or newly required operational practices. There are no central system impacts associated with this modification.

Costs

Indicative industry costs – User Pays	
Classification of the Proposal as User Pays or not and justification for classification	
Not User Pays as it does not create any User Pays Services/Charges.	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
Not applicable	
Proposed charge(s) for application of Users Pays charges to Shippers	
Not applicable	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve	
Not applicable	

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">• Low
User Pays implications	<ul style="list-style-type: none">• None

Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification

0565 Transco Proposal for Revision of Network Code Standards of Service

at the following location:

<http://www.gasgovernance.co.uk/sites/default/files/0565.zip>

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 modification will improve the quality of information provided by DNOs to National Grid NTS via OPNs in respect of those offtakes that are most critical to the safe and efficient operation of the NTS, thereby improving system operation.
Development, capital and operating costs	<ul style="list-style-type: none"> see above
Recovery of costs	<ul style="list-style-type: none"> None
Price regulation	<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"> Contractual obligations (OAD) are amended to reflect required operating parameters.
Standards of service	<ul style="list-style-type: none"> None

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
TPD OAD Section I	<ul style="list-style-type: none"> Text revisions

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

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	<ul style="list-style-type: none"> None
Gas Transporter Licence	<ul style="list-style-type: none"> None

Other Impacts	
Item impacted	Potential impact
Security of Supply	<ul style="list-style-type: none"> None

Operation of the Total System	<ul style="list-style-type: none"> This modification will improve the quality of information provided by DNOs to National Grid NTS via OPNs in respect of those offtakes that are most critical to the safe and efficient operation of the NTS, thereby improving the operation of the Total System.
Industry fragmentation	<ul style="list-style-type: none"> None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none"> None

6 Implementation

As self-governance procedures are proposed, implementation could be 16 business days after a Modification Panel decision to implement.

7 The Case for Change

Nothing in addition to that identified elsewhere in this Report.

8 Legal Text

Legal Text provided by Wales & West Utilities.

Proposed Legal Text

Offtake Arrangements Document, Section I – NTS Operational Flows

1.2.1 In this Section I:

- (a) references to Offtakes are to NTS/LDZ Offtakes;
- (b) a reference (in relation to an LDZ or NTS/LDZ Offtake(s) serving an LDZ) to the aggregate offtake or rate of offtake is a reference to the aggregate, for all NTS/LDZ Offtakes serving the LDZ, of the offtakes or rates of offtake;

Insert new paragraphs 1.2.1 (c) and (d)

- (c) references to a "Designated Offtake" are to a NTS/LDZ Offtake as agreed and referenced in the Offtake's Supplemental Agreement;
- (d) references to a "Non-Designated Offtake" are to a NTS/LDZ Offtake not referenced as a Designated Offtake in the Offtake's Supplemental Agreement.

Amend paragraph 2.3.5

2.3.5 The DNO may not submit a revised Offtake Profile Notice in relation to any Offtake:

~~(a) — more frequently than once in each hour of the clock~~

~~(b)~~ so as to change the rate of offtake other than with effect from an exact hour of the clock; ~~or~~

~~(c) — later than 04.00 on the gas flow day~~

Amend paragraph 2.4.4

2.4.4 To the extent to which the revision by the DNO of any Offtake Profile Notice(s) in compliance with National Grid NTS' request would infringe any of the requirements of this paragraph 2 or TPD Section J4.5.2, National Grid NTS shall be deemed to have waived such other requirements (on the assumption that the DNO submits such revised Offtake Profile Notice(s) within ~~15~~ 30 minutes after National Grid NTS' request is made).

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Amend paragraph 2.5.2

2.5.2 A DNO's request shall specify:

~~(a) — the operational circumstances giving rise to to the DNO's request~~

~~(b)~~(a) the Offtakes and LDZ in respect of which such revision is requested;

~~(c)~~(b) the times with effect from which the DNO wishes to revise the relevant rates of offtake; and

~~(d)~~(c) the revised rates of offtake requested.

Amend paragraph 2.5.3

2.5.3 Any request by a DNO for the revision of any Offtake Profile Notices shall satisfy the requirement that, for all times in the Day, the aggregate, in respect of all Offtakes (serving the same LDZ ~~NTS-Exit Zone~~) for which such request is made, of the revised rates of offtake requested is the same as the aggregate rates of offtake under the prevailing Offtake Profile Notices at the time the request is made.

3.1 Offtake tolerances

Amend paragraphs 3.1.1, 3.1.2(a), 3.1.3

Insert new paragraphs 3.1.2 (b), 3.1.4, 3.1.5

3.1.1 This paragraph 3.1 sets out the tolerances referred to in TPD Section J4.6.2~~-,~~ and any offtake designations referenced in the relevant Offtake Supplemental Agreement.

3.1.2 For the purposes of TPD Section J4.6.2(a), the tolerance, in respect of the offtake of gas at:

(a) ~~an~~ Designated Offtake is 10% of the Prevailing Offtake Rate is set out in the relevant Offtake Supplemental Agreement; and

(b) a Non-Designated Offtake is 1mcmd.

3.1.3 For the purposes of TPD Section J4.6.2(b), the tolerance in respect of the offtake of gas in aggregate at all of the Offtakes (served by two or more Offtakes) which serve an LDZ is 3% of the aggregate of the Prevailing Offtake Rates.

3.1.4 Amending the categorisation of an Offtake from a Designated to a Non-Designated Offtake (or vice versa) or amending the tolerance of a Designated Offtake can only be done with the agreement of National Grid NTS. Any change should have a maximum 3 months' lead time from confirmation by National Grid NTS prior to the new designation and/or tolerance being effective.

3.1.5 Any newly operational NTS/LDZ Offtake must have its designation and any tolerance level agreed by both Networks.

Offtake Arrangements Document, Section N - General

3.2 Amendment of Supplemental Agreements

Amend paragraph 3.2.1

3.2.1 A Supplemental Agreement may be amended by agreement of the Parties and not otherwise (save for a Designated Offtake or Non-Designated Offtake which may be amended (limited to amendments to Designated or Non-Designated components) by National Grid NTS if both Parties cannot agree); and accordingly, a Supplemental Agreement shall not be subject to modification pursuant to the Modification Rules (but without prejudice to any modification of any provisions of this Document which apply to or are incorporated into such Supplemental Agreement).

9 Recommendation



Consultation Ends

On **xx Month 2012**

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

The close-out date for responses is **XX XXXXXXXX** 2012, which should be sent to enquiries@gasgovernance.co.uk.

A response template which you may wish to use is at www.gasgovernance.co.uk/0397