

Stage 02: Workgroup Report

0401S:

Amendments to the provisions for agreeing pressures at the Offtakes from the National Transmission System to Distribution Networks.

This modification seeks to make amendments to the annual process for agreeing the pressures at the Offtakes from the National Transmission System to the Distribution Networks and to amend the daily process for revising these pressures.



The Proposer recommends that this self-governance modification should proceed to consultation.



High Impact:
N/A

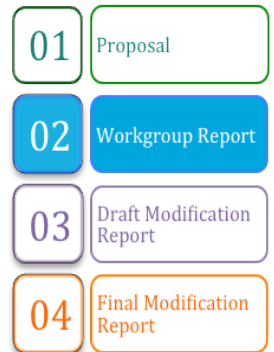


Medium Impact:
N/A



Low Impact:
This proposal has some impact on NTS and the DNOs.

What stage is this document in the process?



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About this document:

The purpose of this report is make a recommendation to the Panel, to be held on 16 February 2012, on whether Modification 0401S is sufficiently developed to proceed to consultation and to submit any further recommendations in respect of the definition and assessment of this self-governance modification.



3 Any questions?

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1 Summary

Is this a Self-Governance Modification

The Modification Panel determined that this is a self-governance modification.

Why Change?

The existing rules for agreeing and revising pressures at the National Transmission System (NTS) Offtakes into the Distribution Networks (Oftakes) do not necessarily meet the requirements of the affected parties. This has been considered as part of Review Group 0316: Review of Section I of the Offtake Arrangements Document (OAD): NTS Operational Flows.

Currently the process for agreeing pressures annually and daily does not recognise that some Offtakes are more "significant" than others.

Solution

It is proposed that in relation to all Offtakes it should be agreed between NTS and each DNO which Offtakes ("significant") will be subject to the daily "Agreed 0600 Pressure" process.

It is also proposed that a DNO or NTS may request to add an Offtake to the list of the significant Offtakes, giving as much notice as possible. Such an Offtake would then become subject to the daily "Agreed Pressure" process for a period to be notified. Where NTS and the DNO do not agree whether an Offtake should be added to the list, the default position will be that the Offtake will be treated as a Significant Offtake.

It is proposed that for the non-significant oftakes the default Applicable Offtake Pressure will be a minimum pressure of the lesser of either 38 barg or the Assured Pressure, for 06:00 and 22:00 and the associated tolerances between those hours will apply in line with OAD I4.3.

For instances where the DNO has accommodated a request from NTS for a revised pressure (Agreed Pressure) and where NTS has delivered a pressure below or above the Agreed Pressure it is assumed that NTS would accommodate any associated flow swap (which comes into effect via a revised OPN in accordance with OAD I 2.4 & 2.5) and the associated capacity.

In reviewing UNC to identify potential consequences where a DNO User complies with an NG NTS pressure request a typo was identified in respect of paragraph 3.4.7. The provision incorrectly disapplies itself when instead it is the obligations to make payment in respect of non-compliant gas which are disapplied in the circumstances described in paragraph TPD J 3.4.7.

Impacts & Costs

This modification would revise the annual Assured Pressure process and the daily Agreed Pressure process.

Implementation

In line with the Self Governance rules implementation could be 16 days after a Modification Panel decision to implement.

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The Case for Change

To amend the arrangements for managing pressures to the satisfaction of both the upstream and downstream Transporters is consistent with the achievement of the following Relevant Objectives:-

(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.

Recommendations

The Workgroup considers that the self-governance modification is sufficiently developed and should now proceed to consultation.

2 Why Change?

The existing rules are prescriptive in respect of pressure requests and amendments and the requirements within which all parties must operate. The Proposer considers that they do not necessarily meet the requirements of the affected parties. Within the remit of Review Proposal 0316 the processes for agreeing and revising pressures have been considered with the aim of providing the certainty required for the relevant Transporters when operating their systems. The consequences of DNO compliance with NTS requests for amended pressures have also been considered.

Currently the process for agreeing pressures annually and on the Day, pay little attention to the fact that some Offtakes are more "significant" than others. Some Offtakes may either be in a similar location on the NTS to a large Offtake and therefore likely to be subject to the same pressure provision by association, or they may require much lower pressures than some of the larger Offtakes and therefore do not (in the absence of a particular operational issue) require the same focus.

As a result of agreeing to revised pressures at some of the Offtakes a DNO may currently be caused to compromise certain other UNC provisions. The DNO can only reject such a request from NTS where the request is not consistent with the safe and efficient operation of the LDZ (OAD Section I4.2.6). It is important to ensure that the DNO is not adversely penalised either as a result of facilitating a request by NTS, or as a result of NTS delivering lower than Agreed pressures. These adverse impacts do little to assist either NTS or the DNO in achieving their objectives of operating their respective networks efficiently. For the purposes of this modification it is assumed that for instances where the DNO has accommodated a request from NTS for a revised pressure (Agreed Pressure) and where NTS has delivered a pressure below or above the Agreed Pressure it is assumed that NTS would accommodate any associated flow swap (which comes into effect via a revised OPN in accordance with OAD I 2.4 & 2.5) and the associated Capacity.

3 Solution



Pressure Process

Assured Offtake Pressure is that set out in accordance with TPD Section J2.5 and set out each year in the Offtake Pressure Statement.

Agreed pressure OAD I4.2 This may be a revision to the Assured Pressure which will be decided between NTS and the relevant DNO on the Day.



What happens on the Day?

If for operational reasons the pressure provisions at a particular Offtake are affected this will generally be dealt with via an associated flow swap requested at another Offtake. effected by a revised OPN.

As part of the annual process, which leads to the creation of the Offtake Pressure Statement, it is proposed that in relation to all Offtakes NTS and each DNO will create a combined list of Offtakes ("Significant") which will be subject to the daily "Agreed Pressure" process. This would potentially reduce administration for all parties to this process as well as helping to provide the focus where it is required.

It is also proposed that for any operations (e.g. maintenance) where it is necessary to request specific pressures at any Offtakes (which may or may not be on the Significant Offtake list) the DNO or NTS must use reasonable endeavours to give as much notice as possible to request and agree the required pressures. Such Offtakes will be added to the list of "Significant" Offtakes for a period to be notified and this can take place up to midnight on the Day in question. Where NTS and the DNO do not agree whether an Offtake should be added to the list, the default position will be that the Offtake will be treated as a Significant Offtake.

It is proposed that for the remaining Offtakes, which are not included on the list of significant Offtakes, the default Applicable Offtake Pressure will be a minimum pressure of the lesser of 38 barg or the Agreed Pressure, for 06:00 and 22:00 and the associated tolerances between those hours will apply in line with OAD I4.3.

If the DNO is the party requesting the revision (i.e. a variation from the Assured Pressure) then it can reasonably be expected to undertake whatever actions are required to ensure that it does not breach the provisions of the UNC. Where NTS is the party requesting the revision and where the DNO has accommodated a request, NTS can reasonably be expected to give consideration to the actions which may be required by the DNO and to facilitate these actions.

In certain circumstances (for example an unforeseen constraint/plant failure) either the DNO or NTS may request that an Offtake be added to the list of significant Offtakes at short notice and after the deadline for the submission of initial pressure requests has passed. In this instance where it is the DNO that submits the nomination it will make an initial pressure request at the same time as making the nomination. Where it is NTS that makes the nomination the DNO will submit an initial pressure request (specifying a requested 0600 pressure that is the lower of 38 barg or the Assured Pressure) as soon as reasonably practicable after receiving NTS's nomination. In both instances NTS will agree to extend the deadline for revising such initial pressure request beyond 24.00 hours on the Day as is reasonable in the circumstances and the usual processes in I4.2.3 to 4.2.6 (inclusive) for agreeing revisions will apply.

In reviewing UNC to identify potential consequences where a DNO User complies with an NG NTS pressure request a typo was identified in respect of paragraph 3.4.7. The provision incorrectly disapplies itself when instead it is the obligations to make payment in respect of non-compliant gas which are disapplied in the circumstances described in paragraph TPD J 3.4.7. The legal text provided addresses this error.

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4 Relevant Objectives

Implementation is expected to better facilitate the achievement of **Relevant Objective 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. | No |
| 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. | No |
| 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 |
| 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 | No |

To amend the arrangements for managing pressures to the satisfaction of both the upstream and downstream Transporters is consistent with the achievement of the following Relevant Objectives:-

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 Workgroup considers implementation of this modification will reduce the current administrative burden associated with the daily operational process for pressure management and enforcement by clarifying which offtakes are significant and therefore are considered to fall under the daily agreed pressure process and therefore require to be monitored for such purpose.

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5 Impacts and Costs

Consideration of Wider Industry Impacts

No wider industry impacts identified.

Costs

| Indicative industry costs – User Pays | |
|--|--|
| Classification of the modification as User Pays or not and justification for classification | |
| Not User Pays | |
| Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification | |
| N/A | |
| Proposed charge(s) for application of Users Pays charges to Shippers | |
| N/A | |
| Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve | |
| N/A | |

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"> Some changes would be introduced to the relevant Transporters daily and annual processes. |
| 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"> The annual process is likely to require extra resources to manage the additional TPD requirements. However, this offset by a reduction in the administration of the daily operational process |

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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 | |
|---|--|
| 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">• Any processes associated with revising pressures would be likely to be affected. |
| Development, capital and operating costs | <ul style="list-style-type: none">• Not significant |
| Recovery of costs | <ul style="list-style-type: none">• None proposed |
| Price regulation | <ul style="list-style-type: none">• It is not anticipated that these change proposals would have any affect on price regulation. |
| Contractual risks | <ul style="list-style-type: none">• This modification if implemented would reduce contractual risk for DNOs with no detrimental impact anticipated for NTS. |
| Legislative, regulatory and contractual obligations and relationships | <ul style="list-style-type: none">• None |
| 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 |

| Impact on Code | |
|----------------|---|
| OAD Section I | Introducing the concept of Significant Offtakes and minimum pressures for the remaining offtakes. Addition of the process for creating the Significant offtakes annually and daily. |
| TPD Section J | The introduction of the concept of Significant Offtakes in relation to the Assured Pressure process. Correction of a typo in J3.4.7. |
| | |

| 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 | This modification, if implemented would facilitate better alignment of the upstream and downstream Transporters' Systems. |
| Industry fragmentation | None |
| Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties | 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

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

Advantages

- May provide recognition that in the pressure planning and implementation process, some Offtakes are more significant than others providing clarity in planning the operation of the network.
- Provides more certainty for both parties with regard to dealing with revised pressures and aids contractual compliance.

Disadvantages

None identified.

8 Legal Text

Legal Text

The Workgroup has reviewed the Suggested legal text is published alongside this proposal on the Joint Office web site at: <http://www.gasgovernance.co.uk/0401>.

9 Recommendation

The Workgroup invites the Panel to:

- AGREE that Modification 0401S be submitted for consultation.