

## Stage 04: Final Modification Report

# 0370:

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

What stage is this document in the process?

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

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.



Panel decided this self-governance modification should be implemented.



High Impact: None identified



Medium Impact: None identified



Low Impact:  
National Grid Transmission & Distribution Network Operators.

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Final Modification Report

26 April 2011

Version 2.0

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## About this document:

This document is a Final Modification Report, presented to the Panel on 21 April 2011.

The Panel decided this self-governance modification should be implemented.



3 **Any questions?**

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# 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.

## 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.

## Recommendations

The Panel decided this self-governance modification should be implemented.

## 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.

## 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.

## 4 Relevant Objectives

Implementation will better facilitate the achievement of **Relevant Objectives a, b, c, d, e 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.	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.

## 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	
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

## 6 Implementation

Unless an Appeal against the decision is received, this self-governance modification can be implemented 15 business days after a Panel decision in favour of doing so.

## 7 The Case for Change

In addition to those above, the following have been identified:

### Advantages

Facilitates the continuation of mutually acceptable existing arrangements.

### Disadvantages

None identified.

## 8 Legal Text

### Offtake Arrangements Document Section F - Determination of Calorific Value

*Delete existing paragraph 1.1 and replace as follows:*

#### 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.

*Delete existing paragraph 4.1 and replace as follows:*

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

##### 4.1 ~~National Grid NTS~~ Determination of Daily CVs

4.1.1 ~~For the period from the date of this Document to 31 March 2007~~ 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 ~~For the avoidance of doubt, the relevant~~ each DNO shall itself determine daily CVs for the charging areas within the area of its DNO System with effect from 1 April 2007, 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, nNothing in this Document shall prevents 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.

## 9 Consultation Responses

Representations were received from the following parties:

Respondent	
Company/Organisation Name	Support Implementation or not?
National Grid Distribution	Support
National Grid Transmission	Support
Northern Gas Networks	Support
Scotia Gas Networks	Support
Wales & West Utilities	Support

Of the five representations received all parties offered their support.

## 10 Panel Discussions

The Panel Chair summarised that the modification seeks to remove an historic date from the UNC regarding determination by National Grid NTS of the daily average flow weighted CVs for all DNOs. In addition, it seeks to provide clarity with regards to all parties' rights to withdraw from the service. Implementation would therefore facilitate appropriate choices regarding the way in which this service is provided. By allowing choice, in addition to removing a date that has passed, implementation would be expected to promote efficiency in the implementation and administration of the Code.

Eight votes were cast in favour of implementing Modification 0370.

No votes were cast against implementing Modification 0370. Therefore the Panel determined that self-governance Modification 0370 should be implemented.

Impact on 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

# 11 Recommendations

## Panel Recommendation

Having considered the 0370 Modification Report, the Panel determined:

- that self-governance Modification 0370 should be implemented.
- that implementation should be immediately following closure of the opportunity for an appeal to be raised against the decision to implement this self-governance modification.