

Stage 04: Final Modification Report

0443S:

Arranging Flow Swaps between NTS/LDZ Offtakes with increased lead times or for prolonged periods

At what stage is this document in the process?

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

The current rules as set out in OAD do not allow for flow swaps between LDZ/NTS offtakes to be notified in advance or to run for prolonged periods. Introducing additional provisions will allow Transporters increased certainty when arranging maintenance timetables at sites.



Panel determined to implement Self-Governance Modification 0443S



High Impact: -



Medium Impact: DNOs and National Grid Transmission



Low Impact: -

0443S

Modification Report

20 June 2013

Version 2.0

Page 1 of 8

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Contents

- 1 Summary
- 2 Why Change?
- 3 Solution
- 4 Relevant Objectives
- 5 Implementation
- 6 Legal Text
- 7 Consultation Responses
- 8 Panel Discussions
- 9 Recommendation

About this document:

This Final Modification Report will be presented to the Panel on 20 June 2013.

The Panel will consider the views presented and decide whether or not this Self-Governance Modification should be made.



3 Any questions?

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0443S

Modification Report

20 June 2013

Version 2.0

Page 2 of 8

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1 Summary

Is this a Self-Governance Modification?

Ofgem has determined that this is a Self-Governance Modification.

Why Change?

The current provisions as set out in OAD I 2.4 and 2.5 only allow flow swaps between LDZ/NTS offtakes on Day One (D) of any planned or urgent maintenance and also does not enable either party to request a flow swap ahead of time i.e. before D-1. This places risk on NGT and DNOs when flows need to be amended between offtakes. This modification proposes an enhancement to facilitate this process.

Solution

It is proposed to add to the current provisions as set out in OAD I 2.4 and 2.5 to establish a Long Term Flow Swap Agreement (LTFSA) that can be signed between DNOs and National Grid NTS. The agreement can be entered into at any time prior to the flow swap and may give confirmation of a flow swap period and applicable volumes. It is anticipated that for flow swaps resulting from emergency maintenance that the current process as set out in OAD I 2.4 and 2.5 will be utilised for Day 1 after which time a LTFSA can be signed between DNOs and National Grid NTS for any period of time required to complete the works.

Relevant Objectives

As DNOs, under the proposed arrangements, will be able to arrange flow swaps whilst undergoing urgent or planned maintenance past Day One, hence further facilitating relevant objective a), b) and c).

Implementation

No implementation timescales are suggested.

2 Why Change?

Currently the Maintenance programme governing NTS/LDZ offtakes is governed by:

- Section G of the Offtake Arrangements Document (OAD)
- Safe Control and Operations Interface procedures
- Safe Control of operations processes

These processes can result in DNOs or National Grid NTS requiring flows to be swapped between LDZ/NTS offtakes for an amount of time. However, these potential resulting flow swaps between two or more offtakes can only be confirmed under Section I 2.4 and 2.5 of the OAD through a revised Offtake Profile Notice (OPN) at D-1 or D after the initial OPN has been provided. This means that for any planned or urgent maintenance, either requested by DNO or National Grid NTS, the flow swap can only be carried out on the first day as after this time one of the offtakes may not be flowing and so 2 or more OPNs cannot be amended as per the current UNC arrangements. There is currently no way around this within the existing UNC rules. It is also not currently possible for DNOs to notify National Grid NTS or for National Grid NTS to request a flow swap with earlier timescales providing the other party with increased notice. The ability to do this would ease planning for DNOs and National Grid NTS.

0443S

Modification Report

20 June 2013

Version 2.0

Page 3 of 8

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3 Solution

It is proposed that a new facility is created to enable flow swaps between LDZ/NTS Offtakes to be agreed as early as D-30, to notify either DNOs or National Grid NTS of a longer running flow swap.

A new Long Term Flow Swap Agreement (LTFSA) will be created. This will be agreed between DNOs and National Grid NTS, with either party able to request the flow swap. The LTFSA can be signed at any point prior to any planned flow swap required or on Day 1 of any flow swap resulting from emergency or urgent maintenance.

Where in the opinion of a DNO that it is necessary to further the safe and efficient operation of the LDZ, or National Grid NTS that it is necessary to further the safe and efficient operation of the NTS, the DNO or National Grid NTS may request to enter into a Long Term Flow Swap Agreement (LTFSA).

Either the DNO or National Grid NTS will comply with the request to enter into a LTFSA unless in their reasonable opinion entering into the LTFSA itself would materially prejudice the safe and efficient operation of the LDZ/NTS.

The calculation of the NTS Exit Overrun would take into account any additional quantity of gas offtaken at an LDZ/NTS Offtake for the Day at the LDZ/NTS Offtake following the application of the LTFSA.

Either party would be able to request that the LTFSA be amended or terminated.

A LTFSA can be put in place for either single or multiple instances of flow swaps. Any flow swap will have clearly defined start and end date agreed between the DNO and National Grid NTS.

It is not proposed to amend the current provisions as set out in OAD I 2.4 and I 2.5.

It is not proposed to amend or affect any of the current maintenance notice arrangements as set out in OAD G.

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

Not User Pays

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.

Proposed charge(s) for application of User Pays charges to Shippers.

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.

4 Relevant Objectives

Impact of the modification on the Relevant Objectives :	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
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.	Positive
c) Efficient discharge of the licensee's obligations.	Positive
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.	None
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.	None

Being able to agree a long term flow swap is beneficial to DNOs and National Grid NTS by improving certainty around planning processes for maintenance activities. It should reduce the risk of operations failing to commence due to the inherent uncertainty in the existing process (eg preventing inline inspection runs as a flow swap cannot be arranged in advance), it should also reduce the over booking of capacity and thereby ensuring the efficient operation of the combined networks. This will benefit relevant objectives a) and b) by offering benefits to both the transmission and distribution networks.

As DNOs will be able to flow swap whilst undergoing urgent or planned maintenance past Day One, this will ensure that the 1 in 20 Licence Condition can be met by DNOs hence further facilitating relevant objective c) as it is unlikely operations will be delayed or cancelled due to the improvements in planning and availability of capacity. This means that DNOs will operate more efficiently and should indirectly reduce costs associated with the over booking of capacity, as these cost are ultimately passed through to customers.

5 Implementation

No implementation timescales are suggested.

All respondents were in favour of implementation being made as early as possible, with Wales & West Utilities adding that implementation should be agreed as soon as possible to allow for summer 2013 maintenance activities.

If the Authority approves the re-classification of this modification as self-governance, following consideration of the respondents' comments, then the modification should be implemented after the standard 16 days.

If self-governance is not granted then implementation should occur as soon as possible following Ofgem's decision.

6 Legal Text

Text

The following Text has been prepared by Scotia Gas Networks, and no issues were raised by the Workgroup regarding its content.

OAD Section I

Add new paragraph 6.5 to read as follows:

6.5 Long Term Flow Swap Agreements

6.5.1 For the purposes of this Section I, a Long Term Flow Swap Agreement means an agreement which a DNO and National Grid NTS enter into to facilitate the safe and efficient operation of the network in instances where it would otherwise be prejudiced without the movement of gas flows between Offtakes.

6.5.2 National Grid NTS and a DNO may enter into a Long Term Flow Swap Agreement at any time prior to the first date a flow swap is required under such an agreement.

6.5.3 National Grid NTS may request that a DNO enter into a Long Term Flow Swap Agreement for one or more Offtakes in an LDZ.

6.5.4 The DNO shall comply with National Grid NTS' request unless in the DNO's reasonable opinion the safe and efficient operation of the LDZ (consistent with the DNO's obligations to Users under the Transportation Principal Document) would be materially prejudiced by the flow of gas at the relevant Offtakes, in which case the DNO shall:

(a) inform National Grid NTS of the position as soon as possible following receipt of National Grid NTS' request; and

(b) cooperate with National Grid NTS and use all reasonable endeavours to agree an alternative

6.5.5 A DNO may request that National Grid NTS enter into a Long Term Flow Swap Agreement for one or more Offtakes in an LDZ.

0443S

Modification Report

20 June 2013

Version 2.0

Page 6 of 8

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6.5.6 National Grid NTS shall comply with the DNO's request unless in National Grid NTS' reasonable opinion the safe and efficient operation of the NTS (consistent with National Grid NTS' obligations to User's under the Transportation Principal Document) would be materially prejudiced by the flow of gas at the relevant Offtakes, in which case National Grid NTS shall:

- (a) inform the DNO of the position as soon as possible following receipt of the DNO's request; and
- (b) cooperate with the DNO and use all reasonable endeavours to agree an alternative.

6.5.7 A Long Term Flow Swap Agreement can be terminated in accordance with its terms.

Amendment Required to UNC – TPD Section B

3.13.10 For the purposes of this paragraph 3.13, the calculation of a Chargeable NTS Exit (Flat) Overrun shall take into account any additional quantity of gas offtaken at an NTS/LDZ Offtake consistent with a revision to the rate of offtake of gas for the Day at the NTS/LDZ Offtake following the application of OAD Sections 12.4 and, 2.5 and 6.5.

7 Consultation Responses

Representations were received from the following parties:

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

Of the 4 representations received, implementation was unanimously supported.

Summary Comments

Reclassification as Self-Governance

National Grid NTS noted that the assessment process of this modification has addressed the concerns it originally had with regard to this modification being classed as self-governance. (The original modification did not place limits on the use of a Long Term Flow Swap, which increased the potential for it to impact on other users.) The modification now limits the reasons for a long term flow swap request to 'the safe and efficient operation of the network', under which both parties have the right to justifiably refuse the request. With these safeguards in place National Grid NTS has no objection to this modification being considered under self-governance provisions.

All respondents were of the same view that this modification could be re-designated as self-governance if deemed appropriate by the Authority.

0443S
Modification Report

20 June 2013

Version 2.0

Page 7 of 8

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8 Panel Discussions

The Panel Chair summarised that the UNC only allows flow swaps between LDZ/NTS offtakes on Day One (D) of any planned or urgent maintenance and does not enable either party to request a flow swap ahead of time i.e. before D-1. This modification proposes relaxing these restrictions.

Panel Members recognised that being able to agree a long term flow swap is beneficial to DNOs and National Grid NTS. Improving certainty around planning processes for maintenance activities should reduce the risk of operations failing to commence (due to the inherent uncertainty in the existing process, eg preventing inline inspection runs as a flow swap cannot be arranged in advance); and also reduce the potential over booking of capacity. Implementation would therefore be expected to facilitate the efficient operation of the combined networks, benefiting Relevant Objectives a) and b) by offering benefits to both the transmission and distribution network operators.

Panel Members also noted that enabling DNOs to flow swap whilst undergoing urgent or planned maintenance past Day One would help ensure that the 1 in 20 Licence Condition can be met by DNOs, hence facilitating relevant objective c) as it is unlikely operations will be delayed or cancelled due to the improvements in planning and availability of capacity. This means that DNOs will operate more efficiently and should indirectly reduce potential costs associated with the over booking of capacity, costs that are ultimately passed through to customers.

Panel Members then voted unanimously that Self-Governance Modification 0443S should be implemented.

9 Recommendation

Panel Recommendation

Having considered the Modification Report, the Panel determined:

- that proposed Modification 0443S be made.