

CODE MODIFICATION PROPOSAL No xxxx
'Introduction of the Code Contingency Guidelines Document'
Version x.x

Date: 27/03/2009

Proposed Implementation Date: June 2009

Urgency: Non Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

Background to the Proposal

The existing Code Contingency Arrangements have been in place for a number of years without any significant review of their appropriateness being undertaken in that time. The 'Gemini' system failure in October 2007 highlighted to the industry the importance of having clear, accessible, well understood and tested contingency arrangements which reflect the differing needs and priorities of Users and Transporters.

In July 2008, Review Group 0217 – 'Gemini Code Contingency Arrangements' was initiated and sought to review Gemini Code Contingency procedures and recommend revisions where required. The principle aim of the Review Group was to develop a clear understanding among Users and Transporters of the balance between the risks of a prolonged Code Contingency occurring and the costs of the various contingency options available.

The Review Group 0217 sought to explore how improvements in the accessibility and familiarisation of the Code Contingency arrangements could be achieved, and concluded that the following recommendations should be taken forward:

1. The Introduction of "Code Contingency Guidelines Documents" which set-out in detail the processes to be followed in the event of a partial or complete failure of UK Link.
2. The governance arrangements applied to the Guidelines through its inclusion as a UNC Related Document under section V12 of the UNC: and
3. Raise a Modification Proposal that reflected the recommendations as set out in the Final Review Group Report issued to the March 2009 UNC Modification Panel.
4. The suggested text required to affect the proposed changes.

Nature of the Proposal

As a result of the recommendation made by the 0217 Review Group this Modification Proposal seeks to;

1. Introduce the Code Contingency Guidelines (“the Guidelines”) document, developed as part of the Review Group, as annex of the UK Link Manual.

The 0217 Review Group recommended that the Guidelines should be governed under the Transportation Principle Document (TPD) Section V12 of the UNC however, National Grid NTS has since identified several issues associated with dual governance:

- a) When applying such changes to ‘Gemini’ and other UK Link Code Contingency procedures.
- b) Where we believe that any future proposed changes to the Guidelines – Chapter 4 - Gemini Code Contingency Arrangements, may have a materially detrimental impact on Users or Transporters during a Code Contingency.

After careful consideration we believe there is merit in proposing that the Code Contingency Guidelines are governed as an annex of the UK Link Manual, and, that both the UK Link Manual and the Code Contingency Guidelines should be published on the Joint Office website.

We believe that keeping the Guidelines under the governance of the UK Link Manual means that, in due course, any revisions of other UK Link Code Contingency Arrangements can be implemented into the Guidelines through a UK Link Modification rather than requiring a UNC Code Modification Proposal.

2. Revise relevant sections of Code to provide for additional instances of Class ‘A’ Contingencies.

Where certain Code Contingencies occur and continue for prolonged periods and/or at particular times, certain Code obligations (particularly relating to timings or the basis on which a charge is calculated) may be required to be modified for the duration of the Code Contingency. These instances of Code Contingency are defined within the TPD under section U6.3 as a ‘Class A Contingencies’ with the details of any modification to Code obligations set out within the relevant sections of Code. The Review Group 0217 identified several areas of Code where, during a Code Contingency amendment to Code may be required for the duration of the Contingency.

Code Contingency Guidelines

The Review Group 0217 initially set out to address 'Gemini' Code Contingency issues, however, during the discussions; there was a general consensus that there is benefit in having all UK Link contingency procedures within a consolidated Guidelines document.

Further, the Review Group 0217 generally accepted that the within-day nature of 'Gemini' (energy balancing and entry capacity) processes may hold the greatest commercial risk to the community in the event of a system failure. Therefore, National Grid NTS believes that the provision of greater definition and clarity in respect of the 'Gemini' Code Contingency processes will mitigate the risks associated to within-day information provision and operations.

It is envisaged that the Guidelines will include details of all UK Link Code Contingency arrangements, however the initial draft of the Guidelines (Appendix A) will be limited to the detailed arrangements, and revised Contingency Procedures relating to those Code Contingencies associated with "Gemini Code Contingencies". Other UK Link core processes for example, Supply Point Administration (SPA), Site and Meters and Invoicing and their associated Code Contingencies will be incorporated at a later date.

UK Link Refresh Project

We understand that as part of the 'UK Link Refresh' Project it was recognised that a review of SPA contingency arrangements was required, and such a review is planned to take place in due course.

We had considered whether it would be appropriate to include the SPA contingency review within the scope of the 0217 Review Group; however we believe that whilst there is an interaction between the respective areas, the issues and parties affected differ to such an extent that it would preclude a consolidated review.

We welcome the initiation of a review of SPA contingency processes and suggest that an outcome of this review is the drafting of the detailed Code Contingency procedures and guidelines which can be incorporated into the proposed Guidelines document.

Improving access to, and familiarisation of, Contingency Guidelines documentation, processes and procedures

During the Review Group 0217 discussions it became clear that the key issues identified during the October 2007 outage was the lack of accessibility of contingency documentation and, familiarisation of Code Contingency procedures and the Code Contingency arrangements.

In order to address these key issues, we consider it appropriate to:-

- a) Introduce a composite, single Guidelines document that contains all the details associated with Code Contingency arrangements.
- b), Provide the Guidelines in a public-facing, easily accessible source.

c) Introduce an appropriate level of testing of the Code Contingency arrangements.

National Grid NTS believes that by adopting this approach, the issues and risks associated to the prevailing Code Contingency arrangements will be significantly reduced for all Users.

Governance Arrangements under an Annex of the UK Link Manual

National Grid NTS fully supports the Review Group 0217 view that there is benefit in the incorporation of all Code Contingencies communications process and procedural documentation into a single, consolidated document and this Modification Proposal is drafted on this basis.

However this Modification Proposal requires that the Guidelines are introduced under the governance of the UK Link Manual and not TPD Section V12; this is not consistent with the Review Group 0217 recommendation. National Grid NTS has carefully reconsidered that utilising Section V12 introduces dual governance issues whereas utilising the UK Link Manual (under Section U; UK Link) would provide a satisfactory form of governance for the Code Contingency arrangements. This approach provides alignment with the prevailing arrangements whereby changes to UK Link, for example, systems and documentation, are considered by the UK Link Committee.

As a consequence of classifying the Guidelines as a modification to the UK Link Manual, the Modification Proposal required for the introduction of the Guidelines would only be to the extent that when referring to the 'Contingency Procedures', the TPD may be required to reference the Code Contingency Guidelines as an annex of the UK Link Manual. The introduction of these Guidelines will be required through a UK Link Class 1 Modification.

The Review Group 0217 recommended that the Code Contingency '**Guidelines**' document should be published through a single, easily accessible point, and it is proposed that the Guidelines document will be published through the Joint Office website.

b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)

Not applicable.

c) Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.

We intend to discuss this Proposal at the April 2009 Transmission Workstream, submit it to the April Panel with a recommendation that it

proceeds direct to consultation.

2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives

Standard Special Condition A11. 1 (a) the efficient and economic operation of the pipe-line system to which this licence relates:

We believe that the additional of references to Class A Contingencies within the relevant section of the UNC provide greater clarity to the community of what and where deviations to Code communications may apply during a Code Contingency.

Additionally, if implemented, the introduction of a consolidated Code Contingency Guidelines document will provide Users and Transporters with the responsibility for maintaining Code Contingency Communications arrangements. We believe that this will provide greater transparency of the arrangements and improved familiarisation of processes and procedures required during UK Link system failures. As a result of the community's familiarisation with the contingency processes we consider that the introduction of the Guidelines will demonstrate an improvement to the operation of the system during a Code Contingency event.

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraph (a) to (c) the securing of effective competition between shippers, suppliers and DN operators:

Through greater accessibility of the Guidelines; greater familiarity through the requirement to regularly test the arrangements required to manage communications during a Contingency; and greater clarity relating to what and where Code Communications may differ during a Class A Contingency, we believe that this Proposal, if implemented, may improve competition between Users during a Code Contingency event.

3 The implications of implementing this Modification Proposal on security of supply, operation of the Total System and industry fragmentation

No such implications are anticipated.

4 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

a) The implications for operation of the System:

We believe that if implemented this Proposal may improve the operation of the system during a Gemini system failure by providing Users and Transporters with greater clarity and definition of the Code communication obligations during a Code Contingency and familiarisation of Code Contingency arrangements.

b) The development and capital cost and operating cost implications:

We do not believe that there is any significant cost associated with the implementation of this Proposal. There will be a cost associated with the introduction of a testing process which is proposed to be developed and managed by xoserve, however as it is proposed that testing of the Gemini

Contingency is undertaken every 2 years, initial views are that this cost will not be too onerous. We have raised a Change Order with xoserve for the evaluation of these costs.

c) Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:

We believe that this Proposal, if implemented, would not require any recovery of costs from (or by) Users. Dependent on the outcome of the Change Order currently being progressed, there might be some additional minor costs arising from the requirement for xoserve to co-ordinate and manage the 2-yearly Contingency Guidelines Testing program. In this case, any costs arising from xoserve will be recovered from the Transporters.

d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

No such consequences are anticipated.

5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)

Not applicable.

6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users

No such implications are anticipated. xoserve will be required to develop and manage the proposed testing program of Code Contingency procedures, however, it is not anticipated that any system changes will be required for the implementation of such a program.

7 The implications for Users of implementing the Modification Proposal, including:

a) The administrative and operational implications (including impact upon manual processes and procedures)

It is anticipated that User may be required to revise their Code Contingency arrangements as a result of the implementation of revised Gemini Code Contingency procedures. Additionally, Users will be required to participate in the testing programme.

b) The development and capital cost and operating cost implications

We are not aware of any such implications.

c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

We do not anticipate any change to a User's level of contractual risk.

8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)

No such implications are anticipated.

9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters

No such consequences are anticipated.

10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above

Advantages

- Greater transparency of the Code Contingency Arrangements
- Improved visibility and availability of Code Contingency documentation
- Improved User and Transporter familiarity of the Code Contingency processes and procedures
- Improved operation of the system during a Code Contingency

Disadvantages

- Users will be required to participate in the Code Contingency testing programme.

11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)

None yet received

12 Detail of all other representations received and considered by the Proposer

13 Any other matter the Proposer considers needs to be addressed

14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal

We propose that this Modification is implemented [June] 2009

15 **Comments on Suggested Text**

16 **Suggested Text**

UNC Principal Document – Code Contingency Arrangements

Review Group 0217 suggested UNC Code Changes v1.0

UNC – Defined Terms

Code Contingency Guidelines Document TPD U6.1.1 (a)

6 CONTINGENCY ARRANGEMENTS

6.1 General

6.1.1 For the purposes of the Code:

- (a) The "**Code Contingency Guidelines Documents**" forms part of the UK Link Manual, it is entitled and issued by the Transporters, and from time to time maybe revised in accordance with Section U8 – UK Link Modifications.
 - i The Code Contingency Guidelines document provides consolidated guidelines of the Contingency Arrangements in place for UK Link Users and Transporters;
 - ii It shall be an obligation of the Transporter or a UK Link User to comply with a provision of the Code Contingency Guidelines Documents in accordance with Section U1.4.2;
 - ii The Code Contingency Guidelines Documents does not form a part of the Code and in case of any conflict between the Code and the Code Contingency Guidelines Documents, the Code shall prevail.
- (b) the "**Contingency Procedures**" are procedures **documented in the 'Code Contingency Guidelines Document'** forming part of the UK Link Manual for the Transporter and Users to communicate with each other in the event of a Code Contingency, the Contingency Procedure forming part of;
- (c) a "**Code Contingency**" is an event or circumstance affecting UK Link, of a kind specified in the Contingency Procedures, which affects the ability of the Transporters or Users (or where so specified in the Contingency Procedures, of a particular Transporter or User or particular Transporters or Users) to give or receive UK Link Communications, or to generate information to be contained in a Code Communication.

6.3 Class A Contingencies

6.3.1 It is agreed that where certain Code Contingencies occur or continue for particular periods or at particular times:

- (a) the application of certain provisions of the Code (in particular, the requirement for Users to pay certain charges, or the basis on which such charges are determined), will be modified); and/or
- (b) the timetable provided for in the Code for the giving of certain Code Communications may be extended

as provided in the relevant Section of the Code.

6.3.2 A Code Contingency of the kind referred to in paragraph 6.3.1 is a "**Class A Contingency**".

6.3.3 The Code Contingencies which are Class A Contingencies are specified, for the purposes of the relevant provisions of the Code, in the Contingency Procedures.

Class A Contingency and Code Contingency references proposed and prevailing TPD

Section B – System Use and Capacity

Code Contingencies

In the event of a **Class A Contingency** (in accordance with Section U6) occurring during the Gas flow day;

- (i) Where National Grid NTS is unable to complete a Clearing Auction for a Relevant Day then Capacity Overrun charges will not apply for the Relevant Day; and
- (ii) NTS Entry Capacity Auctions (as defined in Section B2) will be run in accordance with the relevant Contingency Procedures as described with in the Code Contingency Guidelines Document.

In the event of a **Class A Contingency** (in accordance with Section U6) occurring during a period where;

- (i) Capacity Constraint Management processes are required; and/or
- (ii) Surrender of NTS Entry Capacity (as defined under paragraph B2.10) is required; and/or
- (iii) Registration of secondary Capacity Trading processes are required; and/or

will be run in accordance with the relevant Contingency Procedures as described with in the Code Contingency Guidelines Document.

Section C – Nominations

Code Contingencies

In the event of a **Class A Contingency** (in accordance with Section U6) occurring Nominations, Trade Nominations, Re-Nominations will be required to be registered for each relevant day as an aggregate figure, and will be registered in accordance with the relevant Contingency Procedures as described in the Code Contingency Guidelines Document these arrangements will apply for the duration of the relevant Code Contingency.

Section D – Operational, Balancing and Trading Arrangements

In the event of a **Class A Contingency** (in accordance with Section U6), occurring the relevant Contingency Procedures as described in the Code Contingency Guidelines Document will apply for the duration of the relevant Code Contingency.

Section E – Daily Quantities, Imbalances and Reconciliation

Code Contingencies

In the event of a **Class A Contingency** (in accordance with Section U6) occurring during a period where;

- (i) After the Gas Flow Day balancing information (Section E1.6);
and/or
- (ii) Submission of Entry Allocation statement processes (Section E2.1);
and/or
- (iii) Unclaimed Entry Allocation statement information (Section E2.3).

The provision of such information and Statements will be run in accordance the relevant Contingency Procedures as described in the Code Contingency Guidelines Document will apply for the duration of the relevant Code Contingency.

Section F - System Clearing, Balancing Charges and Neutrality

- 2.3.1 (b) where the Daily Imbalance is negative, the System Marginal Buy Price for the Gas Flow Day.
- 2.3.2 In the event of a **Class A Contingency** (in accordance with Section U6) occurring on the Gas Flow Day the references in paragraph 2.3.1(b) to System Marginal Sell Price and System Marginal Buy Price shall be to the System Average Price.
- 2.3.3 The buyer shall pay the Daily Imbalance Charge in respect of the Daily Imbalance to the seller.
- 2.3.4 The Daily Imbalance Charge shall be invoiced and payable in accordance with Section S.

Section G – Supply Points

1.12 Contingencies

In the event of a **Class A Contingency** the times by which before the start of each Gas Year details of Annual Quantities and other information in respect of Supply Points are (pursuant to this Section G) to be provided to Users will be deferred by a period commensurate with the duration of the relevant **Code Contingency**.

Section H – Paragraph H5.2.1 – Notify Demand Forecast for Flow Day

5.2 LDZ Demand Forecasting

5.2.1 The Transporter will (during the Preceding Day and the Gas Flow Day in accordance with paragraph 5.2.3) forecast and notify to Users:

- (a) in the case of a DN Operator, demand in each relevant LDZ;
- (b) in the case of National Grid NTS, demand for the Total System

for the Gas Flow Day, using Short Term Demand Models, on the basis of the weather data most recently obtained in accordance with paragraph 5.1 (in the case of LDZ demand, for the weather station(s) located in or closest to the relevant LDZ).

H 5.2.2 In the event of a **Class A Contingency** (in accordance with Section U6), the Notification of the Demand Forecasts for the Flow Day shall be provided in accordance with the relevant Contingency Procedures as described in the Code Contingency Guidelines Document and will apply for the duration of the relevant Code Contingency.

Section K –

Code Contingencies

In respect of the submission Of Input and Output Trade Nomination for Withdrawal and Injection out of and into Storage; In the event of a **Class A Contingency** (in accordance with Section U6), an Output Trade Nomination for Injection into Storage, to Cover ‘relevant deficiency’, shall be submitted in accordance with the relevant Contingency Procedures, as described in the Code Contingency Guidelines Document will apply for the duration of the relevant Code Contingency.

Section N – Shrinkage

Code Contingencies

In the event of a **Class A Contingency** (in accordance with Section U6) occurring during periods where NTS Shrinkages Factors (reference N2) are required to be provided to Users they will be deferred by a period commensurate with the duration of the relevant Code Contingency.

Section Q – Emergencies

Code Contingencies

In the event of a **Class A Contingency** (in accordance with Section U6), the relevant Contingency Procedures as described in the Code Contingency Guidelines Document will apply for the duration of the relevant Code Contingency.

Section R – Storage Injection and Withdrawals

R5 - Contingencies

In the event of a **Class A Contingency** (in accordance with Section U6), for the purposes of Storage Transfers, Withdrawals and Injection Nomination processes the relevant Contingency Procedures, as described in the Code Contingency Guidelines Document shall apply for the duration of the relevant Code Contingency.

Section S – Invoicing and Payment

1.9 Contingencies

1.9.1 Subject to paragraph 1.9.4, in the event that, as a result of a **Code Contingency**, the Transporter is unable to produce or submit any Invoice Documents within 7 Days after the expected date (in accordance with paragraph 1.4) of submission thereof:

(a) the Transporter may prepare and submit an Invoice Document (as an Ad-hoc Invoice) containing estimated Invoice Amounts;

1.9.4 Except with the agreement of a User, the Transporter may not on the occurrence of any **Code Contingency** submit Invoice Documents containing estimated Invoice Amounts under this paragraph 1.9 in respect of consecutive Billing Periods.

1.9.5 Where in accordance with the **Contingency Procedures** the Transporter submits Invoice Documents, which do not contain estimated Invoice Amounts, such Invoice Documents shall be submitted in the format required in paragraph 1.3.4.

Section V - General

7.2.2 Nothing in the Code shall require the Transporter to establish separate subsidiaries, or (other than as provided in paragraph 7.2.1) to prepare separate accounts, or to maintain separate bank accounts, in respect of the Transporter User Capacities; nor to give any Code Communication (other than **under Contingency Procedures**) which is not to be given as a UK Link Communication.

Section X – Energy Balancing Credit Management

1.4 Code Contingencies

National Grid NTS will not be required to implement this Section X in any case where and for so long as, by reason of any **Code Contingency**, it is not reasonably practicable for National Grid NTS to perform with reasonable accuracy any calculation required for such implementation.

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) U6 and its relevant sections in the TPD, UK Link Manual

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Appendix A :- Code Contingency Guidelines