

**CODE MODIFICATION PROPOSAL No. 00xx**  
"Optional limits for inert gases at System Entry Points"  
Version 0.1

**DRAFT**

**Date:** 24/08/2005

**Proposed Implementation Date:** [01/10/2006]

**Urgency:** Non-Urgent

**Proposer's preferred route through modification procedures and if applicable, justification for Urgency**

(see the criteria at [http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752\\_Urgency\\_Criteria.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf))

Transco NTS seeks this Modification Proposal to proceed direct to consultation in accordance with Section 7.3 of the modification procedures in the UNC.

**Nature and Purpose of Proposal (including consequence of non implementation)**

Transco NTS has received several requests from prospective and existing Delivery Facility Operators for higher levels of Nitrogen, Carbon Dioxide and Total Inerts – “inert gases” than are set out in A 5.3 of the 2004 Transco Ten Year Statement. The levels requested are however within the proposed ranges that EASEE-gas<sup>1</sup> has recommended in its Common Business Practice (CBP) for “Harmonisation of Natural Gas Quality” in Europe.

It is proposed that the UNC is amended to allow all Delivery Facility Operators the option to adopt common limits for the inert gas parameters specified in the EASEE-gas recommendations as set out in the table below:

Table 1. Proposed optional inert gas limits

<b>Gas Quality Characteristic</b>	<b>Proposed optional limit</b>
<b>Total Inert Gases</b>	No direct limit (but indirectly limited by GS(M)R)
<b>Nitrogen</b>	No direct limit (but indirectly limited by GS(M)R)
<b>Carbon Dioxide</b>	Not more than 2.5% (molar)

These optional limits however could only be granted at System Entry Points where Transco NTS would not become in breach of any contractual obligations.

For clarity, the implementation of these proposed limits for a specific System Entry Point, if requested by a Delivery Facility Operator, would be through amendment of the relevant Network

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<sup>1</sup> European Association for Streamlining of Energy Exchange

Entry Provisions. It should be noted that although no direct limits are proposed for nitrogen and total inerts, the gas quality specification in the Gas (Safety) Management Regulations (GS(M)R) would indirectly place limits on these components.

However, by UNC, TPD, Section I, paragraph 2.2, the Transporter can not agree to a modification to the Network Entry Provisions, in respect of the above optional inert gas limits, except with the consent of all the relevant Users or by way of a Code Modification. If this change involved only one bilateral agreement, a single Code Modification could facilitate this. However, as the offer will be made in respect of all System Entry Points then, in order to avoid having to make duplicate Code Modifications each and every time agreement occurs, it is proposed that this Code Modification shall be treated as effective in accordance with paragraph I2.2.3 so as to permit amendment for the purposes of Code of all such Network Entry Provisions at all System Entry Points.

The Proposal, were it to be implemented, would allow relaxation of inert gas limits at any System Entry Point to the levels specified in Table 1 and facilitate amendment of contractual gas quality limits towards a common playing field. It should however be recognized that this Proposal would not impose changes for the System Entry Points at which there already exist Carbon Dioxide components in excess of 2.5%. Transco NTS intends to raise separate proposals to seek to address this issue, which could include enabling charges to be applied for Carbon Dioxide levels in excess of 2.5%.

**Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence**

Transco NTS considers this Proposal would, if implemented, better facilitate the following Relevant Objectives as set out in its Gas Transporters Licence:

- in respect of Standard Special Condition A11 paragraph 1(a), the Proposal would better facilitate the efficient and economic operation of the NTS pipeline system by facilitating additional gas supplies to be made available at System Entry Points. Such additional gas supplies would be expected to increase competition in the provision of gas balancing and other system services that Transco NTS must procure to operate its pipeline system;
- in respect of Standard Special Condition A11 paragraph 1(b), the Proposal would better facilitate the co-ordinated, efficient and economic operation of the combined pipe-line system by allowing additional sources of supply to flow onto the GB network, which would assist other relevant transporters to better manage their respective systems;
- in respect of Standard Special Condition A11 paragraph 1(d) (the securing of effective competition), the Proposal would better facilitate the achievement of securing effective competition between the relevant shippers and relevant suppliers by:
  - enabling the entry into the UK of additional gas supplies;
  - allowing additional UK gas production fields to be brought on stream;
  - enabling additional ullage capacity and enhancing the availability of proven gas supplies at many Connected Delivery Facilities;

- allowing some Connected Delivery Facility operators increased scope to process greater quantities of offshore reserves and to extend the life of fields and terminals; and
- incentivising producers to develop new, proven gas fields with higher inert gas components.

**Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text**

Implementation of this modification proposal is not believed to have any impact on systems, processes or procedures.

**a. Proposed implementation timetable**

**b. Proposed legal text**

Where so requested by the Delivery Facility Operator and provided that Transco NTS would not become in breach of any contractual obligations by doing so, Transco NTS intends to allow a change to the above optional inert gas limits within the existing Network Entry Provisions at all System Entry Points. In accordance with the provisions of UNC, Section I2.2.3, an implementation of this Code Modification is necessary in order to allow completion of any such modifications to become effective for the purposes of Code and is hereby requested. Specific legal text for this purpose is not required.

**c. Advantages of the Proposal**

Transco NTS believes that this Proposal, if implemented, would:

- allow additional gas into the UK and therefore improve security of supply;
- allow DFOs to adopt, if requested, inert gas limits as recommended by EASEE-gas without having to raise specific UNC Modification Proposals;
- encourage the movement towards a common playing field in respect of contractual inert gas limits.

**d. Disadvantages of the Proposal**

Transco NTS is unaware of any disadvantages.

**e. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

Transco NTS considers that implementation of this Proposal would benefit security of supply by enabling additional gas flows into the NTS. The new gas supplies are likely to ease some of the upstream constraints as gas fields are being depleted and as greater quantities of high inert content gas reserves are being discovered. Some sub-terminals

would benefit from increased peak day capacity and a reduced risk of constraining gas due to the loss of blending gas.

**f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including**

**i. implications for operation of the System**

The acceptable CV range resulting from the implementation of this Modification Proposal is potentially wider. However, Transco NTS believes that the typical CV delivered will not be significantly affected by the implementation of this Modification Proposal.

**ii. development and capital cost and operating cost implications**

Transco NTS does not anticipate incurring any development or capital costs as a consequence of implementing this Modification Proposal

**iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs**

Transco NTS anticipates that any additional CV Shrinkage costs will not be significant and, as a consequence, would propose that any such costs are best managed through the existing NTS SO Incentive arrangements

**iv. analysis of the consequences (if any) this proposal would have on price regulation**

Transco NTS does not believe this Proposal, if implemented, would have any consequences on price regulation.

**g. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

Transco NTS believes that this Proposal reduces the contractual risk as it will result in a greater degree of consistency of inert gas specifications.

**h. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

Transco NTS does not envisage any impact on the UK Link System if this Proposal were to be implemented.

**i. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

Transco NTS believes that the typical CV of gas delivered will not appreciably change and therefore does not anticipate any significant increase in the costs of CV shrinkage as a consequence of this Modification Proposal. Transco NTS believes that any such increase would be small in comparison with the anticipated benefits of any additional gas supplies utilised as a consequence of implementation of this Modification Proposal.

**Code Concerned, sections and paragraphs**

UNC Transportation Principle Document, Section I

**Proposer's Representative**

Nick King (National Grid Transco - UKT)

**Proposer**

Richard Court (National Grid Transco - UKT)

**Signature**

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