

CODE MODIFICATION PROPOSAL No xxxx
Provision of Data in respect of downstream networks by the iGT directly connected to
the Distribution Network
Version x.x

Date: 16/11/2007

Proposed Implementation Date: 01/07/2008

Urgency: Non Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

The Connected System Exit Point Network Exit Agreement (CSEP NExA) governs the relationship between the Distribution Network Operator (DNO) and the independent Gas Transporter (iGT) directly connected to the Distribution Network (DN). Annex A of this agreement requires the iGT to provide certain information to the DNO which enables the issue of transportation and energy charges to Users at the CSEP pursuant to the Large Transporters' Uniform Network Code (UNC).

The ongoing development of networks by numerous licensed Gas Transporters has led to a number of occurrences where an iGT has permitted connection of a pipework network downstream of its own network which is directly connected to the DN. These are commonly termed 'nested arrangements'. Indeed there are also examples of further iGTs network connections downstream of these nested networks termed 'multiple' or 'deep' nests.

A recent review suggested there are approximately 265 such nested arrangements and of these, approximately 135 are 'within group', i.e. different licensed transporters within the same corporate group are connected to each other.

At the point the original CSEP NExA terms were agreed, it was not envisaged that any 'nested' arrangements would occur and thus Annex A of the CSEP NExA does not explicitly detail the data provision obligations in respect of these nested arrangements.

The proposer understands that presently, contractual terms between iGTs in respect of nested arrangements do not exist. This is a source of great concern to DNOs.

It is therefore proposed that Annex A of the CSEP NExA be modified to reflect that the iGT ('lead iGT') directly connected to the DN is responsible for the provision of all relevant data in respect of any nested arrangements connected to its network or connected to any network downstream of that network. Within the scope of Annex A this would include:

- Weekly updates to include appropriate:
 - Requests for additional Logical Meter Numbers (LMNs),

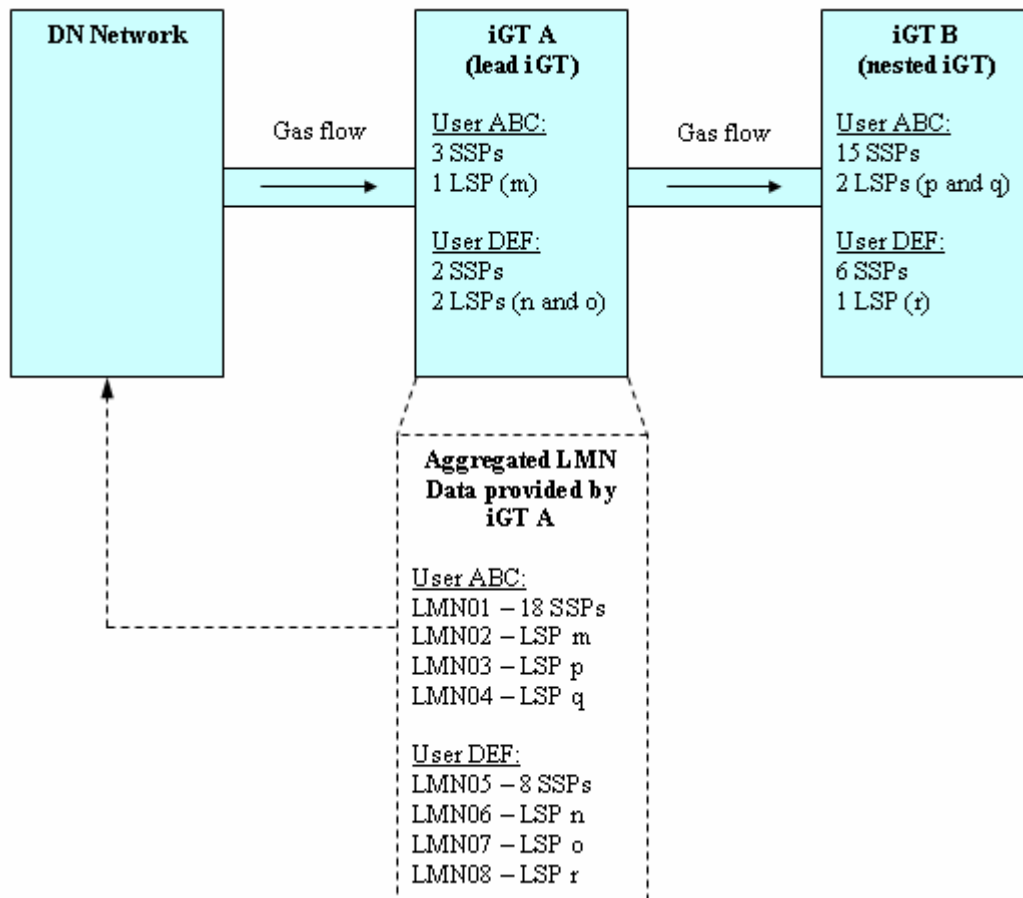
- Requests for LMN AQ updates, and
- Requests for LMN closures

to reflect Supply Point Administration activity at nested arrangements,

- Annual requests for LMN AQ updates as a consequence of the Annual AQ Review,
- Provision of periodic reconciliation volumes for the purposes of reconciliation at relevant Larger Supply Points, and
- Provision of shrinkage values.

In practical terms, the requirement would be for the demand for all Smaller Supply Points (SSPs) registered to a User at all the relevant nested arrangements and the network directly connected to the DN to be represented by one LMN. The existing requirement for one LMN per Larger Supply Point (LSP) would apply and therefore any additional LMNs (representing LSPs at nested arrangements) would be requested by the lead iGT.

An example is detailed below:



Though clearly beyond the remit of this proposal, the proposer would anticipate that the lead iGT's offtake terms (as agreed with the nesting iGT) would include the requirement for the provision of timely and accurate information to the lead iGT to enable it to comply with the terms of this Modification if implemented.

Notwithstanding this proposal, the proposer believes the lead iGT requires downstream demand information for the following purposes (but not limited to):

- To ensure that the downstream demand will not exceed the maximum offtake rate as agreed with the DNO at the connection to the DN.
- To ensure that gas transported to consumers on its own network at a 'suitable pressure' to "ensure the safe operation of any gas appliance which that consumer could reasonable be expected to operate" pursuant to the Gas Safety (Management) Regulations 1996 (GS(M)R)
- To ensure compliance with, or assurance regarding, any other relevant inter-iGT terms (commercial and physical) governing the offtake

The proposer acknowledges that the proposed information flow would require consideration of the timing implications in light of the requirement for lead iGTs to procure information from a nesting iGT in order to complete its 'consolidated' data submission. The proposer would envisage that the lead iGT in each case would tailor its terms of offtake in each instance to address such requirements.

The proposer does not believe that the alternative for nesting iGTs to submit data direct to the relevant DNO is appropriate given that:

- This would require contractual arrangements between the DNO and the nesting iGT in absence of any physical connection between the two,
- This would potentially remove the lead iGT from the information flow which, for the above stated reasons is likely to be inappropriate, and
- The DNO would not be aware of any physical limitations / restrictions the lead iGT has imposed on the offtake to the nesting iGT and therefore the DNO would be in no position to validate the data received.

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.

The proposer believes that this proposal is sufficiently developed to proceed directly 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

The absence of any existing data provision obligations in respect of nested arrangements means that DNOs have no assurance that gas offtaken from nested arrangements is within the maximum values it stipulated upon connection. Additionally, such amounts will not be accounted for in respect of terms of network planning activities. Implementation would provide a level of assurance and enable the licensee to have a more complete picture of the demand on its pipeline system and therefore increase the efficiency with which the aforementioned system is operated.

Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (a), the 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;

As described above, a more accurate view of system demand would facilitate the ability of all transporters to operate all pipeline systems in a co-ordinated, efficient and economic manner.

Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the 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;

As any unaccounted for demand is currently reconciled via the Reconciliation by Difference (RbD) mechanism, implementation would ensure that costs are more accurately allocated and therefore facilitate the securing of effective competition between relevant shippers.

Standard Special Condition A11.1 (e): so far as is consistent with sub-paragraphs (a) to (d), the 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;

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition 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 prompt, accurate and timely transfer of data between lead iGTs and DNOs is essential to ensure compliance with the provisions contained within Annex A of the LDZ CSEP NExA. Furthermore, the passing of data directly impacts on the efficient operation of the UNC by DNOs, particularly concerning the levying by DNOs of accurate transportation invoices to Users.

Implementation of this Modification Proposal would increase accuracy and can therefore be expected to facilitate Standard Special Condition A11.1 (f) of the GT Licence: so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.

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

A more accurate view of system demand would facilitate the ability of all transporters to operate all pipeline systems in a co-ordinated, efficient and economic manner.

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

a) The implications for operation of the System:

Implementation would enable the Transporter to have a more complete picture of the demand on its pipeline system and therefore increase the efficiency with which the aforementioned system is operated.

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

No such implications have been identified.

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:

No such cost recovery is proposed.

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 consequence has been identified.

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)

Implementation is not required for such.

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 further development of the UK Link System (or any related systems) would be required in the event of implementation.

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

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

No such implications have been identified.

b) The development and capital cost and operating cost implications

No such costs have been identified.

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

Implementation of this Modification Proposal would increase the accuracy and timeliness of relevant UNC activities including the levying of transportation invoices. This certainty would reduce risk to Users.

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)

Based on the assumption that lead iGT processes are not currently tailored to address these requirements, further processes may need to be developed by iGTs to account for quantities offtaken at nested arrangements for subsequent transmission to the DNO.

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

Where existing arrangements between iGTs do not facilitate the requirements of this proposal, it will be necessary for additional contractual terms to be in place between the relevant iGTs. It may be appropriate for such obligations to be located within the iGT UNC to which all iGTs are signatories.

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

Advantages

- Ensures the DNO has a complete picture of the demands on its Network.
- Ensures the lead iGT has a complete picture of the demands on its Network

Disadvantages

- The various data hand offs may lead to a small delay in the passing of information to the DNO.

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)

No consultation has been initiated.

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

No representations have been received.

13 Any other matter the Proposer considers needs to be addressed

None.

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

From a DNO perspective there would be no system development implications in the event of implementation and therefore DNOs are able to facilitate implementation immediately upon the appropriate direction being issued by the Authority. However, given that iGTs are likely to require a lead time to establish data 'hand offs' and relevant contractual terms it is anticipated that a period of 6 months would be required to facilitate this.

15 Comments on Suggested Text

16 Suggested Text

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) CSEP NExA Annex A Parts 2, 5, and 9

Proposer's Representative

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Proposer

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