

DRAFT MODIFICATION PROPOSAL NO. XXXX
Amendments to UNC TPD OCS Process and Long Term Allocation of Capacity in
the Transitional Period
Version 3.0

Date:

Proposed Implementation Date: June 2007

Urgency: Non Urgent

1. The Modification Proposal

a) Nature and Purpose of this Proposal

UNC TPD Section B6 sets out provisions relating to the allocation of NTS Offtake Capacity at NTS/LDZ Offtakes. DNO Users are currently able to “apply” for NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity at each NTS/LDZ Offtake, or increase previous allocations, by submitting an application each year during the Application Window (which runs from 1 June to 31 July) for periods commencing the following Gas Year through to 30 September 2010 e.g. applications submitted during the Application Window in 2007 would be for the period commencing Gas Year 1 October 2007 through to 30 September 2010.

National Grid NTS is required to consider and accept applications in so far as they determine it is feasible to make gas available for offtake. National Grid NTS is required to notify DNO Users of allocations by 30 September following the Application Window by issuing an Offtake Capacity Statement setting out the NTS Offtake (Flat) and NTS Offtake (Flexibility) Capacity allocated for each NTS/LDZ Offtake for each Gas Year along with Assured Offtake Pressures. DNO Users are required to operate within these levels in order to avoid Overruns.

The current UNC TPD arrangements do not require discussion between National Grid NTS and DNO Users before allocations are finalised. Where National Grid NTS has taken the full amount of time to assess applications and notified DNO Users of allocations on the last date i.e. 30 September, this has created problems where allocations are less than requested. In particular:

- No information is made available to DNO Users within the process to help them understand constraints or the maximum level of capacity that may be available.
- Arrangements do not provide an opportunity to seek clarification from National Grid NTS.
- Arrangements do not allow DNO Users to amend requests or allow National Grid NTS to amend allocations to ensure the most efficient outcome.

As such, DNO Users are forced to rely on provisions under UNC TPD J 7.3 relating to **short-term** increase in capacity through the OPN process, until the next Application Window the following Gas Year. Alternatively UNC TPD

B6.3.2 (a) (ii) allows DNO Users to apply to increase NTS Offtake Capacity but only in relation to the **first Gas Year (or remaining part thereof)** in so far as the DNO Users might otherwise be “unable to comply with the relevant conditions of its Transporter Licence”. But again, **this gives no long term right or commitment** and it is not clear what scenarios this is intended to cover.

Confusion has also arisen where DNO Users’ OCS requests under UNC TPD Section B have been linked with forecast information provided by DNO Users under UNC OAD Section H which relate to Long Term Demand Forecasting. OAD Section H 2.1 requires DNO Users to provide forecast offtake information to National Grid NTS over a 5 year timeframe (Gas Years 1 to 5) by the “end of July”, for use in the planning process. It is not limited to 30 September 2010. Information is submitted in accordance Section H 2.7.1 and Part 3 of Annex H-1 for various scenarios:

- 1 in 20 peak day demand
- day 13 of 1 in 50 load duration curve
- day 46 of average load duration curve
- day 150 of average load duration curve and
- day 300 of average load duration curve.

This forecast process is completely separate from the OCS capacity booking process, including contractual obligations and liabilities set out in the UNC TPD. However, where National Grid NTS has been unable to allocate a DNO User’s request under the OCS process set out in the TPD, National Grid NTS has used the forecast information submitted under OAD Section H and chosen one of the scenarios as a default capacity request rather than enter into dialogue with the DNO. This is inappropriate as the resulting allocation (both flat and flexibility capacity) does not take any account of the DNO User’s planning assumptions, system dynamics or possible other more efficient alternatives which could be achieved through dialogue in determining capacity commitments under the UNC TPD Section B, or possible liabilities.

Given the above, Scotland Gas Networks plc and Southern Gas Networks plc (together SGN) believe that the current arrangements for DNO Users requesting, and National Grid NTS allocating offtake capacities are unnecessarily restrictive and inefficient. Therefore, SGN proposes the following changes to ensure the most economic and efficient allocation of capacity:

- It is proposed that the Application Window should be shortened by one week to run from 1st June to 24th July and that National Grid NTS should be required to provide an initial capacity notification by 15th September. This allows a 2 week window at the end of the process for DNO Users to raise queries, amend capacity applications and for National Grid NTS to reconsider before OCS allocations are finalised on 30 September. It is proposed that following the initial capacity notification on 15th September DNO Users

would have 5 Business Days to resubmit their request. National Grid NTS would then have 5 Business Days to consider and finalise the OCS allocation.

It should be noted that this should not in any way preclude parties from entering in to dialogue at any other time during the application process.

- It is proposed that there should be a general obligation for National Grid NTS to inform DNO Users as soon as possible after they become aware that they may be unable to meet a capacity request at an individual offtake.
- It is proposed that DNO Users should be able to submit capacity applications outwith the annual Application Window and **where capacity is available** National Grid NTS should allocate capacity as requested for any Gas Year(s) or parts thereof up to 30 September 2010. This would ensure that where a customer wishes to connect to an LDZ or an existing customer wishes to increase capacity and it is available on the LDZ but insufficient capacity has been booked and allocated through the OCS process for the NTS/LDZ Offtake, DNO Users would be able to provide firm capacity rights on a long term basis. At present this could not be done until the next Application Window. The site may be required to be interruptible in the meantime, even when that capacity is available. This is inefficient.
- At present there is no timescale for National Grid NTS to respond to a request under UNC TPD B6.3.2 (a) (ii). SGN proposes that National Grid NTS should be required to respond within 15 Business Days or sooner where possible. We believe this should be achievable as much of the analysis will have been carried out as part of the annual OCS process.

SGN believes the above amendments will help improve the efficiency of the current process and help ensure the most economic and efficient allocation of capacity and ultimately operation of the pipeline system.

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 review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.

It is recommended that this proposal proceed direct to consultation, having been presented to the Transmission Workstream.

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.

SGN believes implementation would:

- improve the administration and efficiency of the current OCS process;
- help ensure the optimum allocation of capacity; and
- help ensure the most economic and efficient operation of the Distribution Networks and the overall pipeline system.

As such SGN believes implementation would better facilitate the following Relevant Objectives as set out in Standard Special Condition A11 of the Gas Transporter Licence:

- A11.1 (a) the efficient and economic operation of the pipe-line system;
- A11.1 (b) the co-ordinated, efficient and economic operation of (i) the combined pipeline system and (ii) the pipe line system of one or more other relevant gas transporters; and
- A11.1 (f) the promotion of efficiency in implementation and administration of the Uniform Network Code and the processes set out in it.

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

Implementation of this Modification Proposal should have no impact on security of supply but should improve overall efficiency in terms of development and operation of the system by allowing DNO Users to better understand capacity availability and secure capacity requirements on a long term basis where their original request cannot be met.

There are no implications for industry fragmentation.

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

a) The implications for operation of the System:

As detailed in Section 2.

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

There are no cost implications.

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:

Not applicable.

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.

The contractual risk for DNO Users would be reduced as DNO Users would be better placed to meet customer capacity requirements in the timescales required and in the most economic and efficient way possible, without any increased risk for National Grid NTS.

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.**
Not applicable.
7. **The implications for Users of implementing the Modification Proposal, including:**
 - a) **The administrative and operational implications (including impact upon manual processes and procedures)**
There are no direct implications for Shipper Users but the proposal should improve operational and administrative arrangements associated with the OCS process for DNO Users.
 - b) **The development and capital cost and operating cost implications**
There are unlikely to be any significant cost implications associated with implementation of this Modification Proposal.
 - 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**
There are no direct consequences for Shipper Users but the level of contractual risk for DNO Users would be reduced as the outcome of the OCS process would improve the understanding of capacity availability and requirements between Transporters and maximise utilisation, taking account of system capability.
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)**
The proposal has no direct implementation implications for the parties listed above but there would ultimately be benefits associated with efficient allocation of capacity and improvement in DNO's ability to meet requests for new or increase in capacity within the LDZ, where there are implications for NTS/LDZ Offtake Capacity.
9. **Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters.**

Transporters, particularly DNO Users would be better placed to meet obligations in relation to ability to ensure economic and efficient development and operation of the pipeline system.

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

Advantages

- * Provides opportunity for National Grid NTS to better understand DNO Users capacity requirements.
- * Provides opportunity for DNO Users to better understand NTS capabilities and available capacity.
- * Helps avoid potential for misunderstanding and confusion between the UNC TPD OCS process and the NTS Long Term Demand Forecasting Process under UNC OAD Section H.
- * Provides opportunity for dialogue at the end of the OCS process to agree an efficient capacity allocation.
- * Ensures DNO Users are better placed to meet customer requirements at the earliest opportunity out with the Application Window.
- * Maximises use of available system capacity.
- * Improves overall efficiency of the OCS process.
- * Improves overall efficiency in terms of capacity allocation, utilisation and operational of the system.

Disadvantages

- * Reduces the initial amount of time that DNO Users have to develop and submit capacity requests relative to current arrangements.
- * Reduces the initial amount of time that National Grid NTS has to consider and respond to DNO Users' capacity requests.

11. Recommendation on the time scale for the implementation of the Modification Proposal

It is recommended that the Modification Proposal should be implemented in June 2007 at the start of the Application Window and before 24th July 2007 when it is proposed the Application Window this Gas Year would close.

12. Suggested Text

UNC TPD Section B - To follow

Proposer

Scotia Gas Networks

Proposer's Representative

Beverley Grubb (Scotia Gas Networks)