

Modification 407 Workgroup – Options to apply the 2 hour 5% rules



29 January 2013

National Grid Transmission

Mod 407 Workgroup (12 Dec) – Action 2

- *DNs to give their views on any other options to be considered, e.g. reducing obligated capacity level at DN offtakes and identify any consequential effects*
- W&W has indicated that they are considering amending Mod 407 to introduce flexibility to apply the current 2 hour 5% rule to allow Consumer's needs to be met majority of the time
- NTS has provided the following information/options to aid the 407 workgroup to identify the most appropriate means of applying the rules

Initial options to apply the 2 hour 5% rules

1. Difficult days/GBAs – Margins Notice and/or Gas Deficit Warning
 2. High/low demand days – national or local (as agreed in advance by industry participants)
 3. Manage OAD 2 hour 5% rule the same as UNC TPD J4.5.6 and 4.5.7
 - System Flexibility Restriction Notice (SFRN)
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- Note: these options may not have to be exclusive

1. Margins Notice and/or Gas Deficit Warning

- Clarify that the 2 hour 5% rule will only apply if a Margins Notice and/or Gas Deficit Warning has been issued:
 - Margins Notice (UNC TPD V 5.9.3) - the intent of the Margins Notice is to provide NTS users a day ahead notice of a potential supply/demand imbalance for the coming gas day, encouraging NTS users to reassess their position relative to prevailing forecasts
 - The Gas Deficit Warning is a warning given at the discretion of NTS based on expectations of the impact of a significant supply or demand event - the intent of the Gas Deficit Warning is to stimulate a market response to address the NTS physical imbalance following the events leading to its issue

Option 1 – Pros and cons

Advantages	Disadvantages
<ul style="list-style-type: none">• Provides transparency (Notice) to GDNs/consumers/NTS with regards to when the 2 hour 5% rule is applied	<ul style="list-style-type: none">• Neither tool is designed to deal with within day flex issues as they focus on EOD quantities/energy issues• These tools are National energy tools and not local and may not reflect local conditions• The rule could be applied when it may not be necessary to do so

2. High/low demand days

- Clarify that the 2 hour 5% rule will be applied if a High/low demand day is experienced
- National or local (LDZ)
- Limits agreed in advance by industry participants, for example:
 - Demand is / or is forecast to be above “x%” of peak demand
 - 80% of peak demand at D-1 (used for release of off-peak exit capacity) – too high/low?

Option 2 – Pros and cons

Advantages	Disadvantages
<ul style="list-style-type: none">• Provides transparency to GDNs/consumers/NTS with regards to when the 2 hour 5% rule is applied• Aids industry system planning as rule is clearly defined	<ul style="list-style-type: none">• Potential complexity or requirement to update the agreed demand levels to make it future proof• The rule may not necessarily need to be on in all cases (if set too low)<ul style="list-style-type: none">• i.e. NTS may have been able to accept the OPN• The rule may not provide NTS sufficient discretion (if set too high)<ul style="list-style-type: none">• i.e. the OPN may need to be rejected but the demand level had not been reached

3. UNC TPD J4.5.6 and 4.5.7

- Manage OAD 2 hour 5% rule the same as UNC TPD J4.5.6 and 4.5.7
- The section J rules allow NTS to accept a changed rate of offtake with a reduced notice period, as long as it does not give rise to an Operational Balancing Requirement
- Similar text could be introduced into the OAD section I 2.7 to clarify the application of the 2 hour 5% rule

UNC TPD J4.5.6 and 4.5.7

4.5.6 Where, upon a request to that effect, the Transporter determines that it is feasible, consistently (so far as the Transporter can judge in the circumstances) with the expectation in paragraph 4.5.7 to make gas available for offtake:

- (a) at the relevant System Exit Point at a changed rate of offtake (specified in such request) upon a lesser period of notice than that referred to in paragraph 4.5.4, the Offtake Profile Notice may be modified in accordance with such request;*
- (b) at an NTS/LDZ Offtake an Offtake Profile Notice may be submitted or modified in accordance with such request.*

4.5.7 The expectation referred to in paragraph 4.5.6 is that:

- (a) for the purposes of paragraph 4.5.6(a), the change in rate of offtake on such lesser period of notice*
- (b) for the purposes of paragraph 4.5.6(b), the offtake of gas at the rates of offtake in the requested Offtake Profile Notice should not, of itself and at the time, give rise to an Operational Balancing Requirement (but it is recognised that such change in rates of offtake may contribute to any such requirement at any later time).*

Management of the rule by NTS

- System Flexibility Restriction Notice are issued in accordance with the Short Term Access to System Flexibility Allocation Methodology produced in accordance with UNC TPD Section J7.3.2 by National Grid NTS.
<https://www.nationalgrid.com/uk/Gas/OperationalInfo/NTSExitZones/>
- The current version of the methodology came into force on the 1st of October 2012 to reflect changes made to support Exit Reform.
- Two System Flexibility Restriction Notices have been issued since and only a small number were issued under the 6 years of the previous methodology (pre Exit Reform).
- NTS are reviewing the document to assess how this LDZ rule could be accommodated and the use of additional advance notices

Option 3 – Pros and cons

Advantages	Disadvantages
<ul style="list-style-type: none">• Consistent with approach to requests from individual offtakes (including Direct Connected Power Stations), for changes in the rate of offtake for a lesser period of notice• The 2 hour 5% rule is linked to System Flexibility and therefore use of the Notice process seems appropriate• SFRN process is established and the methodology is published• The concept is similar to option 2, as one of the factors taken into account is supply and demand levels• Where an OPN is rejected Notices are issued to all Users providing advance notice that an OPN requesting system flexibility may be rejected	<ul style="list-style-type: none">• Provides no specific Notice to GDNs/consumers with regards to when the 2 hour 5% rule is applied (currently), as NTS need to evaluate if the OPN request can be accepted or not

Compliance when the 2 hour 5% rule is applied

- At the Mod 407 Workgroup in December a number of remarks were made that GDNs could not adhere to the 2 hour 5% rule, even at times of Peak Demand
- For any of the options to apply the 2 hour 5% rules to be effective, NTS would need the GDNs to comply when the rule is applied
- What assurances can GDNs provide to NTS that they would be able to comply with the rule when it is applied?