Joint Office of Gas Transporters

CODE MODIFICATION PROPOSAL (DRAFT)

Publication of the scheduled validations for NTS to LDZ and LDZ to LDZ Measurement Installations

Version 1.0

Date: 27/8/2010

Proposed Implementation Date:

Urgency: Non-Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

Background

Gas is measured as it flows from the NTS to the LDZs by equipment commonly termed Offtake Meters. It is also measured as it flows between LDZs. Inaccuracies in the measuring equipment produce measurement errors which ultimately result in retrospective adjustments to the measured energy. In financial terms the adjustment is derived by multiplying the energy by the prevailing daily System Average Price (SAP) and takes the form of a credit or debit charged to the small supply point market via the RbD mechanism.

Measurement Error Notification Guidelines were introduced in September 2008 and individual measurement inaccuracies are now published on the Joint Office of Gas Transporters website. During the 12 month period up to 16 July 2010 a total of 60 errors were reported representing 1.79 TWh of energy. Of these 54 were under measurements of 1.78 TWh and 6 were over measurements of 10.6 GWh or a net under measurement of 1.77 TWh. Under measurements result in an RbD debit and over measurements an RbD credit.

As a guide SAP prices over the last two years have ranged from 1.457pence per kWh (27/7/2010) to 2.775 pence per kWh. (3/9/2010). Using the figures above this gives indicative annualized values in the range £26m to £49m which would be charged to the small supply point sector.

Supply businesses operating in the small supply point market are therefore subject to significant financial adjustments which are unpredictable in terms of magnitude and timing. This presents a material risk to cash flow and could threaten the ongoing viability of a supply business, particularly a new entrant. In any event it is a financial risk that has to be managed within a suppliers pricing strategy and will therefore ultimately be borne by consumers.

In addition to magnitude and timing the other unknown is the geographical area that may be affected by a measurement error. It is understood that there are circa.120 installations throughout Great Britain and errors appear to occur randomly. For historical reasons supply businesses often have customer bases centered around particular regions. Given the unpredictable occurrence of measurement errors it is very difficult for supply businesses to assess the likelihood that their customers will be affected.

It is understood that one of the primary means of identifying measurement inaccuracies is by routine validation. The rules determining the frequency and method of validation are laid down in the UNC Offtake Arrangements Document and its associated guidelines.(OAD section D)

In order to enable shipping/supply businesses to better inform their individual risk management decisions, knowing when offtake meters affecting their own customer base are to be validated or inspected is vital. Shippers should have a greater degree of visibility of offtake validation arrangements.

Proposal

It is proposed that a schedule of validations for all meter installations covered by the OAD is published on the Joint Office website. We assume that the relevant information is already held by the transporters and therefore envisage initial publication of the new schedule as soon as possible following implementation but not later than two months from the date of implementation. General updates to the schedule should be undertaken on an ongoing basis to ensure its accuracy, however transporters should ensure that once a validation has taken place the schedule is updated within 7 days of its occurrence.

The key items to be included in the schedule are :

Name of the offtake
LDZ
Exit zone
DN
Date of previous validation
Date of most recent validation
Type of validation (routine or exceptional)
Outcome i.e. progressed as an error in accordance with Measurement Error Guidelines or no issues found
Date of next scheduled validation

2 User Pays

a) Classification of the Proposal as User Pays or not and justification for classification

The Proposal does not involve xoserve agency costs

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

N/A

c) Proposed charge(s) for application of Users Pays charges to Shippers

d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

3 Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in StandardSpecial Condition A11.1 and 2 of the Gas Transporters Licence

This modification proposal would better facilitate the following Relevant Objectives:

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

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 pipeline system, and/or

(ii) The pipeline system of one or more other relevant gas transporters

Confirmation that validations have taken place on schedule will give some assurance to the Network Emergency Coordinator that flows out of the NTS are being measured accurately which in turn will assist the assessment of any potential emergency.

Confirmation that validations have taken place on schedule will give some assurance to the DNs that intra LDZ flows are being measured accurately which will inform decisions around capacity constraints.

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 better facilitate this relevant 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.

Implementation would be expected to better facilitate this relevant objective by providing information to enable shipper/suppliers to better predict when errors may be identified and manage the risk accordingly.

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 better facilitate this relevant 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.

Implementation would not be expected to better facilitate this relevant objective.

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

No implications have been identified.

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

a) The implications for operation of the System

No implications have been identified

b) The development and capital cost and operating cost implications

No costs 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

N/A

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

No risk identified

6 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)

None identified

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

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

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

b) The development and capital cost and operating cost 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

None identified

9 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 address, any Non-Code Party

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

None identified

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

Advantages

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Disadvantages

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12 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)

N/A

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

N/A

14 Any other matter the Proposer considers needs to be addressed

N/A

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

16 Comments on Suggested Text

17 Suggested Text

Code Concerned, sections and paragraphs

Uniform Network Code
Transportation Principal Document

Uniform Network Code
Offtake Arrangements Document
Section(s) D

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