

## Stage 02: Workgroup Report

# 0401:

## Amendments to the provisions for agreeing pressures at the Offtakes from the National Transmission System to Distribution Networks.

This Proposal seeks to make amendments to the annual process for agreeing the pressures at the Offtakes from the National Transmission System to the Distribution Networks and to amend the daily process for revising these pressures. It also seeks to address any consequential impacts of accommodating revised pressures.



The Workgroup recommends that this self-governance modification should now proceed to Consultation



High Impact:  
N/A

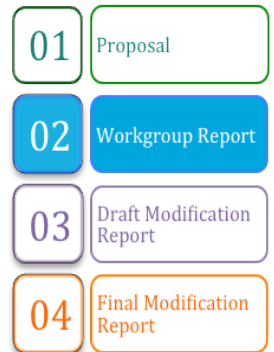


Medium Impact:  
N/A



Low Impact:  
This proposal has some impact on NTS and the DNOs.

What stage is this document in the process?



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## About this document:

The purpose of this report is make a recommendation to the Panel, to be held on XX XXXX 201X, on whether Modification 0401 is sufficiently developed to proceed to consultation and to submit any further recommendations in respect of the definition and assessment of this self-governance modification.



### 3 Any questions?

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# 1 Summary

## Is this a Self-Governance Modification

The Modification Panel determined that this is a self-governance modification.

## Why Change?

The existing rules for agreeing and revising pressures at the National Transmission System (NTS) Offtakes into the Distribution Networks (Oftakes) do not necessarily meet the requirements of the affected parties. This has been considered as part of Review Group 0316: Review of Section I of the Offtake Arrangements Document (OAD): NTS Operational Flows. This Modification Proposal is aimed at amending the relevant UNC provisions associated with existing annual and daily processes and addressing some of the consequences of accommodating revised pressure requests.

Currently the process for agreeing pressures annually and daily does not recognise that some Offtakes are more "significant" than others. This Proposal would look to address this fact and in doing so seek to implement measures which reduce some of the administrative burden associated with the current practices.

As a result of agreeing to revised pressures at some of the Offtakes a Distribution Network Operator (DNO) may find it difficult to be fully compliant with certain other UNC provisions. It is important to ensure that the DNO is not adversely penalised either as a result of facilitating a request by NTS, or as a result of NTS delivering lower than Agreed pressures.

## Solution

It is proposed that in relation to all Offtakes it should be agreed between NTS and each DNO, which Offtakes ("significant") will be subject to the daily "Agreed 0600 Pressure" process.

It is also proposed that a DNO or NTS may request to add an Offtake or to remove an Offtake from the list of the significant Offtakes, giving as much notice as possible. Such an Offtake would then become subject to the daily "Agreed Pressure" process for a period to be agreed between the affected parties. Where NTS and the DNO do not agree whether an Offtake should be added or removed the default position remains that the Offtake will be treated as a Significant Offtake.

For instances where the DNO has accommodated a request from NTS for a revised pressure (Agreed Pressure) and where NTS has failed to deliver the Agreed Pressure or a higher pressure it is assumed that NTS would accommodate any associated flow swap.

## Impacts & Costs

This Proposal would revise the annual Assured Pressure process and the daily Agreed Pressure process. It would also impact the generation of any invoices which may have resulted from a DNO being forced into a position where it is unable to comply with existing requirements.

## Implementation

As self-governance procedures are proposed, implementation could be 16 business days after a Modification Panel decision to implement.

## The Case for Change

NGD believes that it is appropriate to amend the UNC to ensure that the party facilitating a request in line with the requirements of the contract should not be adversely impacted as a result. Currently the consequences of compliance with a revised pressure request may discourage compliance with that request. To amend the arrangements for managing pressures to the satisfaction of both the upstream and downstream Transporters is consistent with the achievement of the following Relevant Objectives:-

A11.1

- a) Efficient and economic operation of the pipe-line system;
- b) 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; &
- (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.

## Recommendations

[The Workgroup considers that the self-governance modification is sufficiently developed and should now proceed to consultation.]

## 2 Why Change?

The existing rules are prescriptive in respect of pressure requests and amendments and the requirements within which all parties must operate. NGD believes that they do not necessarily meet the requirements of the affected parties. Within the remit of Review Proposal 0316 the processes for agreeing and revising pressures have been considered with the aim of providing the certainty required for the relevant Transporters when operating their systems. The consequences of DNO compliance with NTS requests for amended pressures have also been considered and this Modification Proposal is aimed at addressing some of these consequences, revising the annual and daily process and making provisions for operational requirements e.g. maintenance where these operations affect certain Offtakes.

Currently the process for agreeing pressures annually and on the Day, pay little attention to the fact that some Offtakes are more "significant" than others. Some Offtakes may either be in a similar location on the NTS to a large Offtake and therefore likely to be subject to the same pressure provision by association, or they may require much lower pressures than some of the larger Offtakes and therefore do not (in the absence of a particular operational issue) require the same focus. This Proposal would look to address this fact and in doing so reduce some of the administrative burden associated with the current practices.

As a result of agreeing to revised pressures at some of the Offtakes a DNO may currently be caused to compromise certain other UNC provisions. The DNO can only reject such a request from NTS where the request is not consistent with the safe and efficient operation of the LDZ (OAD Section I4.2.6). It is important to ensure that the DNO is not adversely penalised either as a result of facilitating a request by NTS, or as a result of NTS delivering lower than Agreed pressures. These adverse impacts do little to assist either NTS or the DNO in achieving their objectives of operating their respective networks efficiently. There is little justification for the current rules and collectively all parties feel that it is appropriate to introduce rules which are more consistent with achieving the actual requirements without creating adverse impacts.

Under the current arrangements the DNO may be unable to comply with the following arrangements/incur the following charges as a result of accommodating the revised pressure:

UNC TPD B1.3: NTS Exit (Flat) Overrun and the consequential overrun charges (calculated in accordance with (B3.13)). This may happen where the flow at the alternative Offtake/s has been increased to compensate for the reduced flow at the Offtake where the required pressure is not available. The alternative Offtake/s may then exceed the maximum flat capacity which is detailed in TDP B3.13.3.

UNC TPD B3.2.25: Where the DNO User has permitted an Overrun (B1.3) in excess of 100,000 kWhs then it may be liable for a Deemed Application for Enduring NTS Exit (Flat) Capacity for Gas Year Y+4 (currently there is a Modification Proposal which if implemented would remove this Deemed Application provision

<http://www.gasgovernance.co.uk/0381>).

UNC TPD J 3.10: User offtake obligations. These provisions relate to the maximum permitted offtake rate and the DNOs obligating to ensure that these rates are not breached. Facilitating amendments relating to pressure at one Offtake may have an impact on these rates at an associated Offtake.

OAD I2.3 Offtake Profile Notice revision tolerances & OAD I3 & TPD J4.6.2. Offtake tolerances. A revision to pressure at one Offtake may cause the DNO to breach the tolerances set out in these paragraphs. This would only apply where the pressure is not made available on the day.

### 3 Solution

As part of the annual process which leads to the creation of the Offtake Pressure Statement it is proposed that in relation to all Offtakes NTS and each DNO will create a combined list of Offtakes ("significant") which will be subject to the daily "Agreed Pressure" process. This would potentially reduce administration for all parties to this process as well as helping to provide the focus where it is required.

It is also proposed that for any operations (e.g. maintenance) where it is necessary to request specific pressures at any Offtakes (which may or may not be on the significant offtake list) the DNO or NTS must use reasonable endeavours to give as much notice as possible to request and agree the required pressures. Such offtakes will be added to the list of "Significant" Offtakes for a temporary period to be agreed and this can take place up to midnight D-1. If NTS and the DNO do not agree whether an Offtake should be added or removed the default position remains that the Offtake will be treated as a Significant Offtake.

If the DNO is the party requesting the revision (i.e. a variation from the Assured Pressure) then it can reasonably be expected to undertake whatever actions are required to ensure that it does not breach the provisions set out in Section 2 (above). Where NTS is the party requesting the revision and where the DNO has accommodated a request, NTS can reasonably be expected to give consideration to the actions which may be required by the DNO and to facilitate these actions. Where NTS fails to provide an Agreed Pressure then the DNO shall not be liable for any associated breaches or tolerance restrictions this may give rise to.

The scope for breaches can be covered by the acceptance by NTS of the associated flow swap, a revised pressure request when this is necessary, and the capacity associated with that flow (which comes into effect via a revised OPN in accordance with OAD I 2.4 & 2.5)



#### Pressure Process

##### *Assured Offtake*

*Pressure is that set out in accordance with TPD Section J2.5 and set out each year in the Offtake Pressure Statement.*

##### *Agreed pressure*

*OAD I4.2 This may be a revision to the Assured Pressure which will be decided between NTS and the relevant DNO on the Day.*



#### What happens on the Day?

*If for operational reasons the pressure provisions at a particular Offtake are affected this will generally be dealt with via an associated flow swap requested at another Offtake. effected by a revised OPN.*

## 4 Relevant Objectives

Implementation is expected to better facilitate the achievement of **Relevant Objectives a, b, c, d, e and f.**

### Proposer's view of the benefits against the Code Relevant Objectives

Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Yes
b) 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.	Yes
c) Efficient discharge of the licensee's obligations.	No
d) 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.	No
e) 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.	No
f) Promotion of efficiency in the implementation and administration of the Code	Yes

NGD believes that it is appropriate to amend the UNC to ensure that the party facilitating a request in line with the requirements of the contract should not be adversely impacted as a result. Currently the consequences of compliance with a revised pressure request may not incentivise compliance with that request. As a consequence to amend rules/processes to the satisfaction of affected parties ensures that managing pressures can be done to the satisfaction of both the upstream and downstream Transporters. This is consistent with the achievement of the following Relevant Objectives:-

#### A11.1

a) Efficient and economic operation of the pipe-line system;

b) 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; &

(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.

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## 5 Impacts and Costs

### Consideration of Wider Industry Impacts

*Will the modification be impacted by or have an impact upon wider industry developments?  
If an impact is identified the Workgroup should justify why the benefit of the modification outweighs the potential impact.*

### Costs

Indicative industry costs – User Pays	
Classification of the proposal as User Pays or not and justification for classification	
Not User Pays	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
N/A	
Proposed charge(s) for application of Users Pays charges to Shippers	
N/A	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve	
N/A	

### Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> <li>None</li> </ul>
Operational Processes	<ul style="list-style-type: none"> <li>Some changes would be introduced to the relevant Transporters daily and annual processes. There may be some adjustments required to the current billing systems to suppress invoices which would be generated for non compliance under the current arrangements.</li> </ul>
User Pays implications	<ul style="list-style-type: none"> <li>None</li> </ul>

### Impact on Users





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**Where can I find details of the UNC Standards of Service?**

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In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:  
<http://www.gasgovernance.co.uk/sites/default/files/0565.zip>

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"><li>• None</li></ul>
Development, capital and operating costs	<ul style="list-style-type: none"><li>• None</li></ul>
Contractual risks	<ul style="list-style-type: none"><li>• None</li></ul>
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"><li>• None</li></ul>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"><li>• Any processes associated with revising pressures would be likely to be affected.</li><li>• Some of the calculations associated with revising pressures or non compliance with the pressure rules, may be amended.</li></ul>
Development, capital and operating costs	<ul style="list-style-type: none"><li>• Not significant</li></ul>
Recovery of costs	<ul style="list-style-type: none"><li>• None proposed</li></ul>
Price regulation	<ul style="list-style-type: none"><li>• It is not anticipated that these change proposals would have any affect on price regulation.</li></ul>
Contractual risks	<ul style="list-style-type: none"><li>• This Proposal if implemented would reduce contractual risk for DNOs with no detrimental impact anticipated for NTS.</li></ul>
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"><li>• None</li></ul>
Standards of service	<ul style="list-style-type: none"><li>• None</li></ul>

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"><li>• None</li></ul>
UNC Committees	<ul style="list-style-type: none"><li>• None</li></ul>
General administration	<ul style="list-style-type: none"><li>• None</li></ul>

Impact on Code	
Code section	Potential impact
OAD Section I	Introducing the concept of significant Offtakes and providing suitable exclusions where the compliance with a revised pressure request would adversely impact the DNO.
TPD Section J	The introduction of the concept of significant Offtakes in relation to the Assured Pressure process. Correction of a typo in J3.4.7.
TPD Section B	Excluding any additional quantities of gas which may be offtaken by a DNO, in compliance with a revised pressure request, from overrun charges.

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	None
Storage Connection Agreement (TPD R1.3.1)	None
UK Link Manual (TPD U1.4)	None
Network Code Operations Reporting Manual (TPD V12)	None
Network Code Validation Rules (TPD V12)	None
ECQ Methodology (TPD V12)	None
Measurement Error Notification Guidelines (TPD V12)	None
Energy Balancing Credit Rules (TPD X2.1)	None
Uniform Network Code Standards of Service (Various)	None

Impact on Core Industry Documents and other documents	
Document	Potential impact

Impact on Core Industry Documents and other documents	
Safety Case or other document under Gas Safety (Management) Regulations	None
Gas Transporter Licence	None

Other Impacts	
Item impacted	Potential impact
Security of Supply	None
Operation of the Total System	This Proposal, if implemented would facilitate better alignment of the upstream and downstream Transporters' systems.
Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	None

## 6 Implementation

As self-governance procedures are proposed, implementation could be 16 business days after a Modification Panel decision to implement.

## 7 The Case for Change

In addition to that identified the above, the Proposer has identified the following:

### Advantages

Provides recognition that in the pressure planning and implementation process some Offtakes are more significant than others.

Facilitates a reduction in the current administrative burden associated with pressure management and enforcement.

Provides more certainty for both parties with regard to dealing with revised pressures and encourages contractual compliance.

### Disadvantages

None identified.

## 8 Legal Text

### Legal Text

Suggested legal text is published alongside this proposal on the Joint Office web site at:  
<http://www.gasgovernance.co.uk/0401>.

## 9 Recommendation

The Workgroup invites the Panel to:

- AGREE that Modification 0xxx be submitted for consultation; and
- AGREE that Code Administrators should issue 0401 Draft Modification Report for consultation with a close-out of XX XXXX 201X and submit results to the Panel to consider at its meeting on [Panel meeting date].