

Stage 02: Workgroup Report

0407

Standardisation of notice periods for offtake rate changes for all National Grid NTS Exit Users

At what stage is this document in the process?



This modification seeks to remove the existing LDZ rule in the Offtake Arrangements Document (OAD) which mandates that a GDN is limited to altering its rate of offtake (by LDZ) by a maximum of 5% every 2 hours. The proposed replacement rule will only turn this rule 'on' when National Grid NTS determine its necessity by a published methodology.



The Workgroup recommends that this [self-governance] modification should now proceed to consultation.



High Impact:
:GDNs, National Grid Transmission and large embedded customers in LDZs



Medium Impact:
NTS Direct Connects



Low Impact:
None

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About this document:

This report will be presented by the Workgroup to the panel on 20 June 2013.

The panel will consider whether the modification is sufficiently developed to proceed to Consultation and to submit any further recommendations in respect of the definition and assessment of this modification.



Any questions?

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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self governance modification.

Why Change?

The Offtake Arrangements Document (OAD) currently has a rule, which limits GDNs to alter its aggregate rate of Offtake in any LDZ, by a maximum of 5% of its prevailing rate every two hours. This rule has been shown to be unnecessary on the vast majority of days for the following reasons:

- (i) All GDNs have been unable to comply with this rule on a consistent basis for their LDZs, due to the mix of domestic loads and embedded large sites in some LDZs, where larger sites business requirements dictate that they need to ramp up and down more swiftly than the permissible 2 hour 5% rule.
- (ii) Analysis has indicated that the investment required by either National Grid NTS or the Gas Distribution Networks (to build sufficient localised storage) to warrant full OAD compliance with this rule on a system wide basis, would range between £350 million pounds (GDN costs) and up to £1.4 billion pounds (NTS costs)
- (iii) Potential large loads (i.e. Power Stations) who are considering connecting to the GDN pipeline system have expressed concern at a rule in the OAD which would form part of their bespoke Network Exit Agreement with the GDN, similarly limiting their Offtake rate change by 5% every two hours. Given the nature of power stations business, this ramp up/ramp down requirement is integral to any business proposition. The retention of this OAD rule has direct effects on potential investment in the GDNs
- (iv) National Grid NTS have confirmed that the inability of GDNs to comply with the current rule every day, does not cause it any concerns, and there is no evidence that since the rule has been in place (since 2005), excursions from full compliance by the GDNs has in any way harmed the safe and efficient operation of the system.
- (v) The 2 hour 5% rule does not impact on loads connected to the National Grid NTS pipeline system, and as such any potential and/or existing directly connected loads to the Transmission system, are potentially able to operate in a more flexible manner than equivalent connectees to the GDN system.

Solution

The solution is for the 2 hour 5% rule to be switched **off**, and for National Grid NTS to operate a (up to) 3 stage warning/communication to all connectees (GDN and NTS) that due to potential system constraints the 2 hour 5% rule may need to be switched **on**. The last stage of this warning cycle would be to advise connectees that the LDZ 2 hour 5% rule was active and that compliance was required.

The mechanics of the proposed solution is to manage the existing OAD 2 hour 5% rule in a similar fashion to that which currently exists in UNC TPD J4.5.6 and J4.5.7. 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.

The notifications issued to Users will be referenced by a System Flexibility Restriction Notice, 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/>

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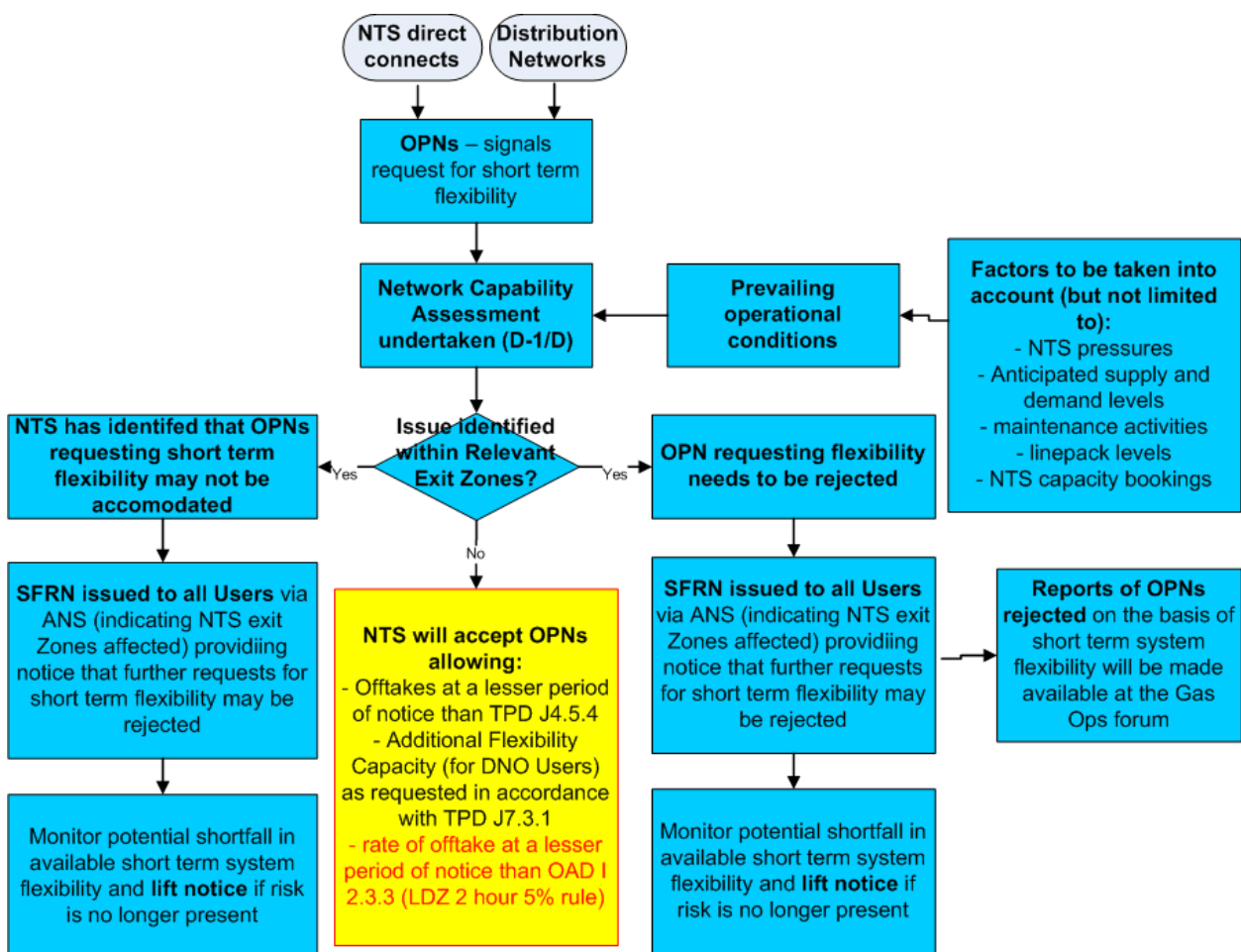
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This Methodology outlines principles by which NTS will make short term access to system flexibility available to Users, over and above the Users prevailing entitlements. The current version of the methodology came into force on the 1st of October 2012 to reflect changes made to support Exit Reform. To date, only 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).

An illustration of the likely timeframes for communication by National Grid NTS to all Users would be as follows:

- Communication 1 - day ahead advance notice [D-1 18:00 to 22:00] Risk that short term flexibility requests may not be accommodated
- Communication 2 – On the day notice [anytime] that short term flexibility requests may not be accommodated.
- Communication 3 – Confirmation that OPNs for LDZ offtakes requesting short term flexibility will not be accommodated (and that 2 hour 5% rule is switched on)

Not all three communications may be issued (e.g. stage 2 or 3 only may be used) and National Grid NTS may issue and revoke communications as better information becomes available to them.



Relevant Objectives

The following relevant objectives are considered to be enhanced by the implementation of this modification;

- (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, (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 and (f) Promotion of efficiency in the implementation and administration of the Code

Implementation

No implementation timescales have been identified. National Grid NTS will be utilising an existing methodology and communication route which is currently accessible by all Users.

2 Why Change?

This Modification has been raised to ensure:

- (i) Compliance for all Users (GDNs are currently unable to comply in many instances)
- (ii) No inappropriate investment is made to warrant compliance all year round for a rule that may be utilised a handful of occasions per year.
- (iii) Power stations in LDZs (potential and existing) enjoy contractual arrangements with regards to ramp rate changes, comparable to those enjoyed by connectees to the National Grid NTS system.
- (iv) The utilisation of the LDZ 2 hour 5% rule is limited to the rare instances National Grid NTS require it, and as a consequence, GDNs 'large' connectees can operate in a fashion which best serve their commercial and operational requirements without unnecessary constraints.
- (v) The total system is utilised in the most appropriate and economical fashion for the benefit of all Users.

3 Solution

The business rules are set out below

The existing 2 hour 5% rule in Section I of the Offtake Arrangements Documents will be default **off**.

National Grid NTS will operate a (up to) 3 stage warning/communication to all connectees (GDN and NTS) that due to potential system constraints the 2 hour 5% rule **may** need to be switched on. The final (which could be the only) stage of this warning cycle would be to advise connectees that the LDZ 2 hour 5% rule was now switched on, and that compliance at LDZ level was required.

The notifications issued to Users will be referenced by a System Flexibility Restriction Notice, 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>

An illustration of the likely timeframes for communication by National Grid NTS to all Users would be as follows:

- Communication 1 - day ahead advance notice [D-1 18:00 to 22:00] Risk that short term flexibility requests may not be accommodated
- Communication 2 – On the day notice [anytime] that short term flexibility requests may not be accommodated.
- Communication 3 – Confirmation that OPNs for LDZ offtakes requesting short term flexibility will **not be** accommodated (and that 2 hour 5% rule is **switched on**)

Not all three communications are required to invoke the turning on of the 2 hour 5% rule. For instance National Grid NTS may issue one, two or all of the above notices. Equally, National Grid NTS may revoke communications as better information becomes available to them.

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

This proposal is not a User Pays modification

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.

Not applicable

Proposed charge(s) for application of User Pays charges to Shippers.

Not applicable

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.

Not applicable

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
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.	Positive
c) Efficient discharge of the licensee's obligations.	None
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.	Positive
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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

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

The impact of this proposal being implemented would ensure the most economic use was made of the pipe-line system whilst improving compliance with the Offtake Arrangements document. This would result in efficiencies in potential saved investment costs of a minimum of £350M.

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

National Grid NTS will only exercise the requirement for the 2 hour 5% rule to be switched on when extreme conditions require. This allows for a more efficient operation of the pipe-line system of one or more gas transporters.

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.

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The closer alignment of offtake rate rules between LDZ's (and hence their connectees) and NTS connectees, promotes greater competition between shippers who will now be able to consider the use/build/operation of large loads within the LDZs or the NTS system, without such a divergence in rules relating to permissible ramp rate movements.

f) Promotion of efficiency in the implementation and administration of the Code.

National Grid NTS will be utilising an existing document (Short Term Access to System Flexibility Allocation Methodology) together with a marginally revised set of procedures that will cover communication with all Users. This single communication route will ensure consistency and promote efficiency in the administration of this code requirement.

5 Implementation

No implementation costs are anticipated with this proposal that would not be classed as business as normal costs, which are currently incurred.

Transporters are using and responding to an existing set of processes (albeit amended). Similarly Shippers who currently consider notifications issued by National Grid NTS will see different notifications, but ones that do not deliver additional costs.

No fixed implementation date is provided at this stage, however implementation is anticipated within 6 weeks of any Ofgem determination.

6 Legal Text

Text

The following Text has been prepared by Wales & West Utilities, and no issues were raised by the Workgroup regarding its content.

UNIFORM NETWORK CODE – OFFTAKE ARRANGEMENTS DOCUMENT

SECTION I - NTS OPERATIONAL FLOWS

2.3.3 Where, pursuant to one or more revised Offtake Profile Notice(s) submitted by a DNO in relation to the Offtake(s) serving one LDZ, there is at any time (TRO) a change in the aggregate rate of offtake:

- (a) the time (TOPN) at which such revised Offtake Profile Notice(s) are submitted shall not be less than two hours before time TRO; and
- (b) the aggregate flow rate change, for any time (TRO) of the Day, pursuant to revised Offtake Profile Notices submitted within any one hour (HOPN) of the clock, shall not exceed 5%.

2.3.4 For the purposes of paragraph 2.3.3(b), in relation to any hour (HOPN), the aggregate flow rate change at any time (TRO) is the magnitude of difference between:

- (a) the aggregate rate of offtake at time TRO pursuant to the Offtake Profile Notices prevailing at the start of hour HOPN; and
- (b) the aggregate rate of offtake at time TRO pursuant to the Offtake Profile Notices prevailing (pursuant to any revisions thereof within hour HOPN) at the end of hour HOPN; expressed as a percentage of the aggregate rate of offtake at time TRO pursuant to the Offtake Profile Notices prevailing at the start of hour HOPN.

2.7 Variation of restrictions

2.7.1 The requirements and restrictions in this paragraph 2 in relation to Offtake Profile Notices (and revisions thereof) shall not apply to the extent that (subject to and in accordance with TPD Section J4.5.5, where applicable) National Grid NTS waives or agrees to vary any such requirement or restriction in a particular case.

2.7.2 Where, upon a submission by the DNO, National Grid NTS determines that it is feasible, consistently (so far as National Grid NTS can judge in the circumstances) with the expectation in paragraph 2.7.3 to make gas available for offtake at the relevant Offtake(s) serving one LDZ at a changed aggregate rate of offtake (specified in such request) upon a lesser period of notice than that referred to in paragraph 2.3.3(a) and at a greater rate of change than that referred to in paragraph 2.3.3(b), the Offtake Profile Notice(s) will be accepted, or modified in accordance with the Short Term Access to System Flexibility Allocation Methodology.

2.7.3 The expectation referred to in paragraph 2.7.2 is that the offtake of gas at the rates of offtake in the requested Offtake Profile Notice(s) on such lesser period of notice or greater rate of change should not, of itself and at the time, give rise

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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).

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION J – EXIT REQUIREMENTS

4.5.4 In relation to a relevant System Exit Point, the Network Exit Provisions will prescribe a period of notice to be given (by way of modified Offtake Profile Notice) to the Transporter of any change ("Offtake Rate Change"), by reference to the prevailing Offtake Profile Notice, in the rate of offtake of gas, which period of notice may depend:

- (a) on whether the Offtake Rate Change is an increase or a decrease in rate of offtake;
- (b) on the amount of the Offtake Rate Change, expressed as an absolute amount or a percentage of a rate determined from the Permitted Offtake Rate or otherwise; and
- (c) on whether any earlier change in the rate of offtake has been notified or occurred within any specified period before the Offtake Rate Change.

4.5.5 The Offtake Profile Notice may be modified, as to the rate of offtake from and after any time, by notice before that time of the period referred to in paragraph 4.5.4 but (without prejudice to paragraph 5.6 or 5.8 where either applies) not otherwise.

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).

7.3 Short-term increase in NTS Exit (Flexibility) Capacity

7.3.1 In relation to an NTS/LDZ Offtake, for the purposes of 4.5.5:

- (a) a request referred to in paragraph 4.5.6(b) is a request for an increase in the amount of NTS Exit (Flexibility) Capacity held by the DN Operator at the NTS/LDZ Offtake for the Day;

- (b) such a request may be made by submitting a proposed Offtake Profile Notice which (in the absence of such an increase in NTS Exit (Flexibility) Capacity) would not comply with the requirement in paragraph 7.2.2;
- (c) National Grid NTS may accept such request by accepting such proposed Offtake Profile Notice, in which case the DN Operator's NTS Exit (Flexibility) Capacity for the purposes only of the application of Section B3.13.4, for the Day shall be increased by the lowest amount which results in the requirement in paragraph 7.2.2 being satisfied in relation to the Offtake Profile Notice.

7.3.2 Where (at any time) more than one User has made a request pursuant to paragraph 4.5.6(a) or (b), National Grid NTS shall consider such requests on the basis of such allocation principles as National Grid NTS shall from time to time establish and publish for the purposes of this paragraph 7.3.2.

7.3.3 The allocation principles established in accordance with TPD Section J7.3.2 shall include provisions for National Grid NTS to issue a notice on the preceding Gas Day. Such notice shall indicate that requests pursuant to paragraph 4.5.6(a) or (b) or OAD Section I paragraph 2.7.2 may not be accommodated by National Grid NTS on the relevant Day specified in the notice.

7.3.4 The allocation principles established in accordance with TPD Section J7.3.2 shall include details of how National Grid NTS shall consider requests made in accordance with OAD Section I2.7.2, where, pursuant to one or more revised Offtake Profile Notice(s) submitted by a DNO in relation to the Offtake(s) serving one LDZ, there is at any time (TRO) a change in the aggregate rate of offtake upon a lesser period of notice or greater rate of offtake than that referred to in paragraph OAD Section I2.3.3.

7 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.