

Stage 02: Workgroup Report

0470:

Notification of Minimal Safety operating gas needs of large customers

This modification will allow large customers to indicate to transporters at any particular site, that a customer has to ensure the integrity of their plant during a localised supply constraint.



The Workgroup recommends that this modification should now proceed to consultation.



High Impact:
Consumers, Gas Transporters.



Medium Impact:
Shippers



Low Impact:
None

At what stage is this document in the process?



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About this document:

This report will be presented to the panel on 20 March 2014.

The panel will consider whether the modification should proceed to consultation or be returned to the workgroup for further assessment.


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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a Self- Governance modification as it may have a material impact on consumers.

Why Change?

A recent survey carried out by the MEUC demonstrated that any emergency event (national or local) that would require sites shutting down in the UK has the potential to result in severe damage to large customer plants and subsequently the economy of the UK. This negative financial impact is not only caused by the necessary cessation of manufacturing process during the period of discontinuance, but also by the very real possibility of damage caused by cool down of equipment caused by the premature end of gas flow. This may result in the plant closing permanently with a consequent loss of jobs and a shift of production overseas.

The results of the survey indicated a need to allow customers to clearly notify their transporter of the characteristics of any shut down undertaken to avoid serious equipment damage. Whilst the current proposals under the significant code review being undertaken by Ofgem covers national emergencies, this would not apply to a local emergency and does not differentiate between the gas needs of a site to continue normal commercial operation, and the gas required to safeguard the integrity of the site.

Solution

It is proposed that a more structured solution be put in place over the binary approach to firm load shedding. Daily Read customers (i.e DM Mandatory, DM Voluntary and DM Elective) connected to DN networks would be able to register their system needs under local emergency conditions when shutting down (on a System Needs Register established for the purpose) In the event of a local emergency the DN would have regard for these site needs when handling the emergency. For the avoidance of doubt simply have their system needs registered does not provide the customer any further protection or leeway from being disconnected; the transporters will continue to have complete discretion over how they handle an emergency. This process would only be eligible for those sites that will suffer damage exceeding £25m if the site has to immediately cease gas flow.

Relevant Objectives

This proposal provides greater certainty to the transporters that a customer will reduce its gas consumption when required and prevent catastrophic events at customer sites. The modification will therefore have positive impacts to relevant objectives a) & c).

Implementation

Although no timescales are proposed, it would be desirable if implementation was as soon as possible following an Ofgem decision to do so.

2 Why Change?

Changes to the interruption process by UNC Modification 090 means that there are now far fewer interruptible sites available to the transporters during a gas emergency, meaning that there is a much larger risk of firm customers having their gas use curtailed. This can occur with little or no warning to put a contingency into operation. Discussion with customers have indicated that putting in place backup fuel generation would make in many cases the plant untenable in the UK and would result in the site being closed down and production moved overseas.

The current Ofgem SCR on Security of Supply has put in place measures regarding national emergencies, but the SCR solution does not cover localized constraint emergencies.

Governmental guidelines specify 3 categories¹ of protected customers who will be taken off the system later in the emergency process; these protections however do not apply to local emergencies. In any event the threshold for protection for damage to site is currently set at £50 million and is inaccessible to the vast majority of users.

The results of a recent survey carried out by the MEUC and a subsequent press release by ICoSS² have demonstrated that there is a significant need by UK I&C gas customers for a clear process whereby gas customers can notify their transporter of minimum safe operating gas levels required to ensure minimum maintenance integrity rates to allow for a managed turn down and eventual switch off.

Plants that do shut down in an unmanaged way do have greater difficulties in restarting production and have an increased likelihood of closure, therefore have a negative impact on the local economy and UK plc in General.

¹ <https://www.gov.uk/national-recovery-guidance-infrastructure-issues>

² <http://www.icoss.org/uploads/Gas%20Interruption%20paper%20final.pdf>

3 Solution

Daily read sites connected to the distribution network, will be able to join a register with the purpose of notifying the transporters their site's characteristic with regard to gas supply in order to maintain on site integrity to prevent significant damage to the plant. It is not intended that this be used to preserve process use or during a Gas Deficit Emergency as this is the subject of Ofgem's current Security of Supply Significant Code Review. For this reason, sites connected to the NTS will not be eligible. Also customers included in any of the categories of current priority arrangements³ are to be excluded as they should have sufficient protections in place

The key principle behind this process is to ensure the gas transporter has complete clarity with regard to the gas needs of the customer, whether it be a pre-determined turn down to a specified proportion of the customer's offtake with a view to eventual shut down or an agreement to allow a specific notice period to turn off where possible. To enable this, the process would be triggered by the shipper on behalf of the customer submitting a formal request to the transporter to join the register. The shipper will be required to provide justification for this request as part of the application. It is proposed that customers may only add their details to the register if the damage to their plant from a complete and immediate shutoff would exceed £25m. As part of the application, the customer would have to provide detailed and independent information to justify that amount. ***For the avoidance of doubt simply having their system needs registered does not provide the customer any further protection or leeway from being disconnected; the transporters will continue to have complete discretion over how they handle an emergency.***

The transporter will then be required to provide a response, either accepting or rejecting the application. In the event of a rejection it must provide reasons as to why. As part of its consideration of the application, the transporter may ask for any additional information it reasonably requires to support the application.

As this process only applies for localised constraints, this should not overlap with proposed DSR auction process. Therefore in the event of a NGSE these protections would not be applicable.

Business Rules

1. A register (the System Needs Register) will be established, detailing site specific system needs when a customer is directed to discontinue taking gas from the network during a Local Gas Supply Emergency (LGSE).
2. DN transporters shall be responsible for maintaining the System Needs register
3. Applications to join the System Needs Register will be submitted by shippers on behalf of their customers.
4. Applications will be submitted by shippers on behalf of their customers between 1st of May and 31st of May each year.
5. Each application to join the System Needs Register must set out:
 - a. Name of the customer
 - b. Applicable Meter Point Registration Number (MPRN)
 - c. End user emergency contact details to be used during a LGSE with sufficient backup emergency contact details

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³ (<http://www2.nationalgrid.com/uk/Industry-information/Gas-transmission-system-operations/Interruptions-to-supply/>)

- d. Required shutdown timescales and expected gas needs during that shutdown process.
 - e. Detailed and independent justification for the application, including details on the likely damage (including cost) a site may incur if they are required to shut-down immediately.
6. Shippers may only apply for a single MPRN per application.
7. The transporter may levy a charge for each application. The charge will be set to reflect their costs in handling the application. DN transporters will be obliged to publish this charge if they decide to levy one.
8. No application can be made by a customer unless:
 - a. it can demonstrate through independent analysis that it will suffer plant damage equal or exceeding £25m if requested to undertake a complete and immediate shutdown during an emergency.
 - b. It is a Daily Read site
 - c. It is not connected to the NTS
 - d. It is not currently classified as a priority industrial consumer
9. Once accepted onto the System Needs Register, the customer will be required to notify the transporters of any changes to the information on the register as soon as possible
10. A site will be held on the register until the next application window. The shipper will need to reapply on behalf of a customer if they wish to stay on the System Needs Register the following year.
11. The transporters may refuse an application to be on the register if the customer has, in its opinion, refused to comply with directions issued by the relevant transporter during a Local Gas Supply Emergency
12. Once submitted the application may be amended with the mutual agreement between the relevant Transporter and shipper. (this process can be initiated by either the Shipper or Transporter and is intended to accommodate changes following any discussion)
13. Transporters will respond to the shipper no later than September 30th each year to any application received. Any response will contain the following information:
 - a. Name of the customer
 - b. Applicable MPRN
 - c. Approval / rejection of the request
 - d. Justification for any rejection if applicable
14. As part of its consideration of the application, the transporter may ask for any additional information it reasonably requires.
15. Any agreed shutdown procedures will only apply during Local Gas Supply Emergencies only.
16. During a Local Gas Supply Emergency, the DN transporter will have regard for the System Needs Register, but will not be obliged to act on the information contained therein.
17. Being on the register will not necessarily mean that a customer will be treated differently to any other customer not on the register during an emergency.

User Pays

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

This Modification neither introduces nor amends an existing User Pays Service therefore this is not classed as 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.	None
c) Efficient discharge of the licensee's obligations.	Positive
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.	None
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.	None
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

Relevant Objective a) & c) – Ensuring that daily read customers can inform the transporter ahead of any emergency of their gas needs required to maintain the integrity of their plant until they can safely shut down during the initial stages of an emergency significantly increases the chance that the site will recommence gas consumption after the emergency and so be active in the gas market and undertake an orderly shutdown when requested.

5 Implementation

Although no timescales are proposed, it would be desirable if implementation was as soon as possible following an Ofgem decision to do so.

6 Legal Text

Text

The text for this modification has been prepared at the request of Panel by Scotia Gas Networks and is published alongside this report.

7 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.