

CODE MODIFICATION PROPOSAL No. 0072

"Gas Allocations at LNG Storage Facilities in the Event of a Network Gas Supply
Emergency"
Version 1.0

Date: 13/12/2005

Proposed Implementation Date: 13/1/2006

Urgency: Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

National Grid LNG Storage requests Urgent status in respect of this Proposal on the basis that it believes the UNC will not cause the correct amounts of gas to be allocated to Users at LNG Facilities in the event that the NEC request Storage Operators to curtail storage withdrawals.

This Proposal should be implemented prior to the Winter 2005/06 peak demand periods, in order to ensure that Users allocated gas in accordance with their nominations (up to the point in the Gas Day in which storage withdrawals are curtailed) and not according to their stock level.

Nature and Purpose of Proposal (including consequence of non implementation)

Defined Terms. Where UNC defined terms are included within this Proposal the terms shall take the meaning as defined within the UNC. Key UNC defined terms are highlighted by an asterisk (). This Proposal, as with all Proposals, should be read in conjunction with the prevailing UNC.*

Following the removal of the "Top Up" regime and the introduction of the concept of Safety Monitors* at Storage Facilities* to protect domestic consumers' gas supplies in the event of a 1 in 50 winter., The NEC now has powers to request a reduction of flows from Storage Facilities in a Potential Network Gas Supply Emergency* in order to protect the Safety Monitors.

Section Z of the UNC does not anticipate this scenario and assumes that an increase in flows would be required in an emergency. It requires LNG Storage to allocate gas in proportion to customer stocks, this could result in Users* who did not nominate on the day being allocated gas (including OM and SIU Managers) and those Users with nominations receiving less gas than they would otherwise have anticipated. It is proposed that the UNC be modified so that in the event of the NEC* requesting LNG Storage to reduce flows during a Network Gas Supply Emergency* (including a Potential Network Gas Supply Emergency*) (as defined in Section Q of the UNC), gas is allocated according to Users' nominations for that gas day.

The Proposal

The aim of this Proposal is to ensure that on a day where the NEC request National Grid LNG Storage* to cease or reduce flows from its Storage Facilities, Storage Users* are allocated gas according to the amount of gas they have nominated for delivery to the NTS at

the point in the Gas Day* when the curtailment became effective rather than in accordance with their Gas in store for that Day.

The following would apply:

$$\text{Gas Delivered} = \sum \text{implied withdrawal rate} * \text{relevant curtailment period}$$

Where “implied withdrawal rate” has the meaning in paragraph Z6.2.5(b) of the UNC and “relevant curtailment period” is the period in hours from the time the relevant storage withdrawal nomination become effective until either (i) the time when a further relevant storage withdrawal nomination become effective or (ii) an instruction by the NEC to cease flowing becomes effective.

For the avoidance of doubt, where the NEC request National Grid LNG Storage to increase flows the existing provisions would remain.

Example 1:

User A has 100 units of gas in store and a nomination effective from 06:00 of 30

User B has 200 units of gas in store and has not nominated for this Gas Day

The NEC declares a Potential Network Gas Supply Emergency and requires LNG Storage to cease flowing at 18:00.

Total gas flowed = 15 units

	Current UNC Allocation	Proposed Allocation
User A	5 units	15 units
User B	10 units	0 units

Example 2:

User A has 100 units of gas in store and a nomination effective from 06:00 of 30

User B has 200 units of gas in store and nominates 12 from 12:00

The NEC declares a Potential Network Gas Supply Emergency and requires LNG Storage to cease flowing at 18:00.

Total gas flowed = 18

	Current UNC Allocation	Proposed Allocation
User A	6 units	15 units
User B	12 units	3 units

Section Z of the UNC would also be amended to remove any ambiguity as to when the emergency provisions apply.

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

National Grid LNG Storage considers that this Proposal, if implemented, may better facilitate the following relevant objective as set out in our GT Licence:

In respect of paragraph 1.a): National Grid LNG Storage considers that this Proposal may improve “*the efficient and economic operation of the pipe-line system*” by ensuring gas is allocated to those Users who have placed nominations and thus reducing additional costs (from Imbalance charges and Entry Capacity Overrun Charges*) to the Community above those which would be expected from a curtailment of flows.

In respect of paragraph 1.d): National Grid LNG Storage considers that this Proposal might improve “*the securing of effective competition between relevant shippers*” by allocating gas between Users in a manner which is not unduly discriminatory.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

a. Proposed implementation timetable

Action	Due Date
Submit proposal to Ofgem for Urgency	13/12/05
Ofgem grant Urgent status	14/12/05
Discuss at Workstream	14/12/05
Proposal issued for consultation	15/12/05
Closeout for representations	30/12/05
FMR issued to Joint Office	06/01/06
Ofgem decision expected	13/01/06

b. Proposed legal text

TPD Section Z

Amend paragraph 6.7.1 to read as follows:

"6.7.1 On any Day during a Network Gas Supply Emergency (including a Potential Network Gas Supply Emergency), National Grid LNG Storage may take steps to increase and/or decrease (as the case may be) the flow rates at a National Grid LNG Storage Facility in order to comply with requests from the NEC (either directly or indirectly) or to comply with directions from National Grid NTS instructions pursuant to Section Q3.3.3, in each case notwithstanding Users’ Nominations in respect of such Day; ~~and where~~ Where National Grid LNG Storage takes such steps, then:

- (a) where the steps taken result in an increase in the flow rates at a National Grid LNG Storage Facility, the aggregate quantity withdrawn on such Day will be apportioned between Users in the proportions in which they have gas-in-storage on such Day; and
- (b) where the steps taken result in a decrease in the flow rates at a National Grid LNG Storage Facility, each User will be deemed to have withdrawn a quantity on such Day calculated as follows:

$$QD = \sum IDR * RCP$$

Where:

QD is the quantity that the User will be deemed to have withdrawn on such Day;

IDR is the implied withdrawal rate in relation to a Storage Withdrawal Nomination or Renomination of the User which became effective on the Day in question prior to the time National Grid NTS is requested to decrease the flow rates at the relevant National Grid LNG Storage Facility; and

RCP is the period (in hours) from the time that the Storage Withdrawal Nomination or Renomination in question became effective until either (i) the time when a further Storage Withdrawal Nomination or Renomination became effective or (ii) the time at which National Grid LNG Storage received a request from the NEC (either directly or indirectly) to decrease the flow rates at the relevant National Grid LNG Storage Facility."

c. Advantages of the Proposal

- The proposal will ensure Users are allocated as far as possible in accordance with the gas they have nominated for delivery when the NEC instructs National Grid LNG Storage to curtail flows in a Potential Network Gas Supply Emergency.

d. Disadvantages of the Proposal

- None identified.

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

None identified

f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including

i. implications for operation of the System

None identified

ii. development and capital cost and operating cost implications

None identified

iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs

None identified

iv. analysis of the consequences (if any) this proposal would have on price regulation

None identified

- g. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

None identified

- h. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

None identified

- i. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

None identified

- j. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party**

None identified

Code Concerned, sections and paragraphs

Z6.7.1

Proposer's Representative

Heather Lockyer

Proposer

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Signature.....