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The Joint Office, Relevant Gas
Transporters and other interested
parties

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Dear Colleague

Uniform Network Code modification proposal 093: 'Amendment of Interconnector UK's Meter Flow Rates'

Ofgem¹ has considered the issues arising from the modification report in respect of Uniform Network Code (UNC) modification proposal 093 and, having regard to the principal objective and statutory duties of the Authority², has decided to direct relevant gas transporters to implement the modification proposal.

Ofgem considers that the proposal would better facilitate the achievement of the relevant objectives of the UNC, as set out under Standard Special Condition A11³ of the relevant Gas Transporters' licences, as compared with the existing provisions of the UNC.

Background

The Interconnector between Bacton and Zeebrugge is being upgraded by its owner and operator, Interconnector UK Limited (IUK), to increase its import capacity. As a consequence of this, IUK's fiscal metering system at Bacton also requires upgrading. This upgrade requires that a number of the technical parameters of IUK's Network Entry Provisions (NEPs) be amended.

The modification proposal

IUK's NEPs are contained within its Interconnection Agreement (IA). The UNC states that for the purposes of amending the NEPs they are deemed to form part of the code. It is therefore proposed that Annex D, Part 4, Table 1 of IUK's IA is amended as follows:

	Original Range	Upgraded Range
Primary Meters Volume Flow Rate (Nm ³ /hour)	86,765 – 2,659,246	86,765 – 3,500,000
Primary Meters Energy Flow Rate (MJ/hour)	3,375,139 – 118,602,357	3,375,139 – 140,000,000

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The term 'Ofgem', 'the Authority' and 'We' are used interchangeably in this letter.

² Set out in Section 4AA of the Gas Act 1986, as amended.

³ This Licence Condition can be viewed at:
http://62.173.69.60/document_fetch.php?documentid=6547

Section 12.2 of the UNC Transportation Principals document provides that the prevailing NEP's at a System Entry Point (SEP) may only be amended by two means, either:

- With written consent of all Users who hold National Transmission System (NTS) Entry Capacity at the Aggregate System Entry Point (ASEP) in which the relevant SEP is comprised; or
- By way of a Uniform Network Code Modification.

The Proposer chose the route of a Uniform Network Code Modification.

The Proposer considers that the modification proposal will further the relevant objectives⁴, by removing the possibility that the delivery of additional gas supplies to the UK is impeded.

Respondents' views

There were ten responses to the consultation on modification proposal 093, all of whom supported the modification proposal.

Respondents generally considered that the proposal would remove a potential barrier to additional gas deliveries, therefore enhancing the potential for additional gas to flow into the UK which would facilitate an increase in the levels of traded National Balancing Point (NBP) volumes. Respondents considered that this would improve market liquidity, mitigate the risk of excessive gas prices, assist security of supply and, at times of stress, reduce the potential for a Gas Default Emergency.

One respondent also considered that the modification would further relevant objective 1(e)⁵.

Respondents' views can be found in full on the Gas Transporters Information Service⁶.

Panel recommendation

At its meeting on the 17 August 2006, the UNC Modification Panel voted unanimously in favour of the proposal being implemented.

Ofgem's view

Ofgem concurs with the majority view of respondents and the recommendation of Modification Panel members that modification proposal 093 should be implemented. Ofgem considers that the proposal is likely to remove a potential barrier to the delivery of additional gas supplies to the UK which could increase competition and enhance security of supply.

Ofgem therefore considers that the implementation of this proposal would better facilitate achievement of the relevant objectives; in particular in securing effective

⁴ (a), (d) (i) and (ii) as specified in Standard Special Condition A11, which can be viewed at: http://62.173.69.60/document_fetch.php?documentid=6547

⁵ Objective 1(e) states that 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 (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers' licences) are satisfied as respects the availability of gas to their domestic customers.

⁶ www.gasgovernance.com

competition between relevant shippers and suppliers. Ofgem also agrees with the proposer that enhanced security of supply provided by this modification proposal will assist in achieving efficient and economic operation by the licensee of its pipe-line system(s).

If you have any further queries in relation to the issues raised in this letter, please feel free to contact Richard Miller on 0141 331 6013 or email: industrycodes@ofgem.gov.uk

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Hull', with a horizontal line underneath.

Robert Hull
Director of Transmission,