

Modification proposal:	Uniform Network Code (UNC) 123: Provision of Demand Information to Meet the 14:00 Total System Demand Forecast		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	29 November 2006	Implementation Date:	4 December 2006

Background to the modification proposal

On 30 October 2006 the Authority approved modification proposal 0100 (UNC100)³. This was raised by National Grid Gas (NGG) in response to new financial incentives to increase the accuracy of its demand forecasts. Following our decision to approve, the Joint Office of Gas Transporters (the Joint Office) issued a Notice of Implementation for UNC100 stating that UNC100 would be implemented with effect from 06:00 hours on 6 November 2006.

On 3 November 2006, Ofgem received a request from the gas Transporters (GTs) that the implementation date for UNC100 be delayed because the gas Distribution Networks Operators (DNOs) would be unable to alter their processes before 06:00 hours on 6 November 2006. A delay of four weeks was requested in order to “clarify the issues surrounding the implementation of Modification 100 and explore alternative routes to achieve UNC compliance”. Ofgem agreed to the amendment of the implementation date for UNC100 to 06:00 on 4 December 2006⁴.

The modification proposal

Modification proposal 0123 “Provision of Demand Information to meet the 14:00 Total System Demand Forecast” (UNC123)⁵ was raised by National Grid Gas plc – Distribution (the Proposer) on 7 November 2006. We granted urgency to this proposal as it was linked to a specific date related event⁶, and there was a real likelihood of significant commercial impact on GTs, shippers or consumers if UNC 123 was not granted urgency.

UNC123 seeks to revert to the pre-UNC 100 arrangements for initial OPN and SFN⁷ submissions such that these are submitted by the time specified in the Network Exit Provisions (NEPs)⁸. Additionally, UNC123 places a new obligation on

¹ The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ See Ofgem’s decision letter “UNC100 Amendment to OPN/SFN submission Times” which can be found at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17235_UNC100D.pdf

⁴ In accordance with paragraph 9.9.2 of the UNC Modification Rules. Please note that our decision to extend the implementation period was fact-specific; we were aware that a certain (albeit relatively limited in our view) period was necessary for amending relevant processes.

⁵ The terms ‘UNC 123’ and ‘the modification proposal’ are used interchangeably in this document.

⁶ The implementation of UNC100 at 06:00 on 4 December 2006.

⁷ Offtake Profile Notices (OPNs) and Storage Flow Notices (SFNs) provide NG NTS with a forecast of the rate of gas offtake from the NTS at each exit point through the gas day.

⁸ These provisions in relation to a Supply Meter Point or Connected System Exit Point (within the meaning of the UNC) are contained in a Network Exit Agreement (NExA) (which includes an Interconnection Agreement and a Storage Connection Agreement (SCA)), and in relation to an Inter-
Office of Gas and Electricity Markets 9 Millbank London SW1P 3GE

Shippers (or, where appropriate, agents on behalf of Shippers) and DNOs to provide a new End of Day Demand Forecast Notice (EDDFN) by 12:00 and 13:00 on D-1 respectively. The EDDFN requires a single figure for estimated gas offtake to be provided as opposed to an hourly profile available under OPNs/SFNs. The proposed change to the initial notification times is illustrated in Appendix 1 of this letter.

The Proposer believes that implementation of UNC123 would further facilitate the achievement of relevant objectives (a), (b) and (f)⁹. In the Proposer's view, this would be achieved because the most accurate and up to date information could be provided to NG NTS at minimum cost to the information providers.

UNC Panel¹⁰ (the Panel) recommendation

At its meeting of 16 November 2006, the Panel voted to recommend implementation of the modification proposal.

The Authority's decision

The Authority has considered the issues raised by UNC123 and the Final Modification Report (FMR) dated 17 November 2006. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposal which are attached to the FMR¹¹. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC¹²; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties¹³.

Reasons for the Authority's decision

UNC123 has been assessed with reference to the UNC100 baseline following our approval of that modification proposal. We consider that UNC123 impacts most significantly upon relevant objective (f) of the UNC and we set out the reasons why we believe UNC123 would better facilitate this relevant objective below.

In summary, we consider UNC123 would significantly reduce implementation costs and ongoing administration costs that would have resulted as a consequence of UNC100 (the relevant baseline for the assessment of UNC123). We also consider that the benefits we highlighted in our UNC100 decision letter will be unaffected by this modification proposal (a view also confirmed by NGG NTS), however this is an area we expect both NGG and the wider gas industry to keep under review.

We would reiterate that our decision regarding UNC100 recognised that some costs may be incurred as a result of its implementation. However, we did not consider it was demonstrated that these costs would outweigh the potentially

System Offtake, in the Offtake Arrangements Document of the UNC and the relevant Supplemental Agreement.

⁹ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see:

http://62.173.69.60/document_fetch.php?documentid=6547

¹⁰ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

¹¹ UNC Modification proposals, Modification Reports and Representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com

¹² As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see:

http://62.173.69.60/document_fetch.php?documentid=6547

¹³ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed primarily in the Gas Act 1986.

significant benefits that may accrue to customers as a consequence of improved accuracy of gas demand forecasts. As we have assessed UNC123 against a baseline of UNC100, we consider this modification proposal to have only a beneficial impact in terms of cost.

We do not consider, nor has it been demonstrated to us, that the other objectives have significant relevance to the Proposal.

Relevant Objective (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:

The majority of respondents noted that UNC123 would provide a more cost effective way of meeting the objectives of UNC100. Some respondents noted that there would be a reduction in administrative burden and operational costs if the modification proposal were to be implemented since GTs could accommodate the necessary implementation around current practices and agreements.

One respondent provided a cost estimate to implement the UNC100 baseline of £300-£400k with an element of this being incurred annually¹⁴. This respondent also indicated that there would be no significant costs to implementing UNC123.

Conclusions

For the reasons outlined above we consider that the modification proposal better facilitates relevant objective (f) than the UNC100 baseline.

Assessment against the Authority's other statutory duties

In its response, EdF Energy stated that there would be a detrimental impact on security of supply due to Shippers no longer being required to submit OPNs. However, those parties that are required to submit OPN's under the UNC100 baseline will still be required to do so under UNC123. It is also our understanding that, after having viewed the legal text accompanying the FMR, EdF Energy are no longer of the view that this detriment exists.

We consider UNC123 to be consistent with our principal objective and wider statutory duties. In particular, we believe that ultimately, the interests of consumers will be protected by improving the efficient implementation and administration of the UNC.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC123: Provision of Demand Information to Meet the 14:00 Total System Demand Forecast be made.



Sonia Brown
Director, Wholesale Markets

Signed on behalf of the Authority and authorised for that purpose.

¹⁴ In a reply to Ofgem's open letter "UNC100 Amendment to OPN/SFN Submission Times Ofgem Open Letter", 8/11/2006, the ongoing costs were estimated at £120,000 per annum. This response was submitted on behalf of all DNOs and incorporates the Distribution Network Control Centre's costs.

Appendix 1 – OPN/SFN initial submission times under current, UNC100 and UNC123 arrangements

