

Modification proposal:	Uniform Network Code (UNC) 0239: Reinstatement of NTS Interruption		
Decision:	The Authority ¹ directs that proposal UNC239 be made ²		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	3 April 2009	Implementation Date:	With immediate effect

Background to the modification proposal

The ability of National Grid Gas National Transmission System ("NGG NTS") to meet the forecast peak day demand relies on the use of interruption to balance demand against available supply in the most efficient and economic manner.

As part of the reform of gas Offtake arrangements, Ofgem approved³ Modification Proposal 0090 "Revised DN Interruption Arrangements" which had been raised jointly by the four Gas Distribution Networks (GDNs) to address perceived weaknesses in the existing GDN interruption regime. One of the consequences of this proposal was the removal of the existing interruption arrangements for GDN Supply Points from 1 October 2011. It was anticipated that after this date GDNs would have already tendered for suitable levels of GDN interruption and NGG NTS would have access to some form of curtailment of NTS exit capacity through the development of NTS exit reform.

The Competition Commission ruling on the Authority's approval of Modification Proposal 0116V "Reform of the NTS Offtake Arrangements" and the consequential reconsideration and development of revised proposals has delayed the introduction of NTS exit reform. NTS exit reform will now be implemented from 30 September 2012⁴. However, the UNC contains the hard coded date of 30 September 2011 for the termination of the transitional arrangements for NTS exit reform. As a consequence of the delay to introducing NTS exit reform and in the absence of a change, between 01 October 2011 and 30 September 2012 NGG NTS will not be able to call on NTS interruption to manage capacity constraints.

NGG NTS has brought forward UNC239 to reinstate its ability to call on NTS interruption of directly connected loads from 1 October 2011 until 30 September 2012.

The modification proposal

NGG NTS proposes to retain the ability of National Grid NTS to access existing NTS interruption beyond 1 October 2011 by amending the provisions of the Transitional Document. This would allow NGG NTS to continue with the current interruption regime for NTS directly connected loads.

The proposer considers that UNC239 would better facilitate the following relevant objectives:

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 UNC0090 "Revised DN Interruption Arrangements" was approved by the Authority on 15 March 2007

⁴ UNC0195AV "Introduction of Enduring NTS Exit Capacity Arrangements" was approved by the Authority on 19 January 2009

- The efficient and economic operation of the pipe-line system to which this licence relates; and
- so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence.

UNC Panel⁵ recommendation

At the Modification Panel meeting held on 22 January 2009, of the 9 Voting Members present, capable of casting 10 votes, 10 votes were cast in favour of implementing this Modification Proposal. The Panel therefore recommended implementation of the Proposal.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 27 February 2009. 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 FMR⁶. The Authority has concluded that:

1. implementation of the modification proposal UNC239 will better facilitate the achievement of the relevant objectives of the UNC⁷; and
2. directing that the modification UNC239 be made is consistent with the Authority's principal objective and statutory duties⁸.

Reasons for the Authority's decision

The efficient and economic operation of the pipe-line system to which this licence relates

Following the approval of UNC090, from 1 October 2011 NGG NTS will not be able to request interruption at GDN level to deal with constraints. The transitional interruption regime arrangements specified in the UNC (which were established in the expectation that enduring exit reform on the NTS would not be delayed) state that NGG NTS is also unable to rely on the current interruption arrangements with NTS direct connects from 1 October 2011. Without either of these facilities, NGG NTS would have to rely on either capacity buy-backs, the use of Operating Margins gas or would have to instigate system reinforcement in order to deal with constraints that might arise during the period 1 October 2011 to 30 September 2012. Ofgem agrees with both the proposer and all twelve respondents that such courses of action would be economically inefficient and that it would be sensible to reinstate the interruption arrangements with direct connects to cover this period of exposure. Implementing this proposal would maintain the current level of economic and efficient operation of the pipe-line system by maintaining NTS interruption as a commercial tool for managing capacity constraints.

⁵ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules

⁶ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com

⁷ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547

⁸ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

So far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence

We consider that reinstating access to NTS interruption for the specified period would remove the need to construct additional transportation capacity to be able to supply the forecast peak day demand during 2011. This in turn should better facilitate this objective by permitting NGG NTS to meet its licence obligation under SSC A9⁹ in the most efficient way.

We would note that respondents raised two issues in relation to this modification proposal: one, that it was only required as a result of the approval of UNC0090, and second, that the inability of NGG NTS to call on GDN interruption may result in transportation constraints escalating into an emergency if there is insufficient NTS interruption in a given area on the NTS. Our understanding in relation to the first of these is that the approval of UNC0090 in itself is not the primary cause of the issues identified by UNC239; rather it is due to the mismatch of the timings between the hard coded dates for transitional arrangements in the UNC and the delayed implementation date for NTS exit reform. NGG NTS have indicated to us that they do not foresee any such problem at this time.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal *UNC 239: Reinstatement of NTS Interruption* be made.

Stuart Cook

Director, Transmission

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

⁹ Standard Special Condition A9. Pipe-Line System Security Standards