Lisa Waters Actions arising from RAWG Papers

The following notes have been produced in response to the Lisa Waters message ("RE: Papers for your information" dated 5th May 2004 and timed at 16:25) asking for further clarification about about a number of issues/papers that have arisen or have featured as part of the DN Sales Regulatory Architecture Workgroup (RAWG).

The text of Lisa's enquiries are indicated in italics in what follows.

The papers cover:

Appendix 1 - Security Standards
Appendix 2 - Priority Customers & Emergency Procedures
Appendix 3 - Non-compliant Gas
Appendix 4 - SOMSA

Appendix 1

Paper 2- Security Standards

Questions

Will the modelling techniques be passed to the DNs?
Do we need to get the DNs to use the same techniques?
The Offtake Code draft says that NTS can over rule DNs on their planning requirements – does this currently happen?
If a DN is "over ruled" by NTS they may then be in breach of their licence beyond their control. What process can we use to overcome this?

Transco Response

Transco has interpreted its security standard obligations and has developed methodologies and associated standards to satisfy these requirements.

For example Transco has developed modelling approaches to inform the development of connected load projections that might arise under different weather severity projections.

Additionally Transco has developed approaches to support network planning and investment decisions so that each network can satisfy the "1 in 20 criterion" whereby sufficient diurnal storage and transmission capability will be provided to ensure that demands can be satisfied in 19 out of 20 winters.

It is anticipated that the Licence conditions will define the basis for the security standards. It is envisaged that the methodologies and standards to be used by the DNs will be defined in the Offtake Code. The intention is that the current approaches used by Transco will continue to apply on a consistent basis across all DNs.

The provision of offtake rights between the NTS and DNs is currently determined via internal Transco processes. Transco's interpretation of its pipeline security obligations involves the determination of NTS offtake requirements considered in conjunction with the capability of the LDZs to receive, transmit and manage diurnal storage such that each LDZ can satisfy its own "1 in 20 criterion".

In the future DNs will provide information about their anticipated demands and associated offtake rights requirements. The DNs will have a Licence obligation that such requests are sufficient to satisfy the "1 in 20" Licence obligation.

UK Transmission also anticipate having obligations relating to satisfying these "1 in 20" requirements, other contractual commitments for the offtake of gas and in respect of the economic and efficient development of the system. Therefore should UK Transmission consider it is receiving requests for offtake rights, which when considered in the light of demand forecasting projections, the delivery of which might be considered inconsistent with the 1 in 20 obligations of the DNs then UK Transmission might choose, under the current Offtake Code proposal, to provide offtake rights either less or more than those requested by a DN.

However Transco believes that such an outcome would be unlikely although should such circumstance arise Transco would envisage that the matter would be resolved on a tri-partite basis between UK Transmission, the DN and Ofgem.

Appendix 2

Priority Customers and Emergency Procedures

Lisa's Questions and Statements were as follows:

" *Papers 1 & 5 – Priority Customers & Emergency Procedure*

It was my understanding that priority customers apply for that status directly to the SoS. There shippers then notify Transco. It makes perfect sense for both the DN and the NEC to hold copies of the list, but the question was exactly how will the list be used and how is it up-dated?

Is there something on sites & meters that identifies these customers? If it is a separate list who holds the master copy? What exactly is the process we are putting in place to fulfil the safety case?

Can I suggest – as an opening bid:
Keeping lists:
Under the UNC the shipper notifies Transco as the NEC which of its customers are "priority" customers (I think there are 2 sorts – the first must not be interrupted immediately and second get gas in a rationing situation). Transco then passes an updated list to the DN of all priority customers in their area.

Who does what:
In a local emergency the DN can then use the list it has been given.

In a NEC incident, Transco notify the DN of load shedding actions. The DN will therefore be able to act to shed load except its priority customers.

Actual Interruption:
Assuming interruption is operated by the DN, then it makes sense for the DN to interrupt using its direct communications with all shippers to manage local emergencies. There is an issue about what systems of communication are used – any ideas?

In a national emergency should Transco or the DN be instructing shippers? It seems best if it is just one party so as not to lead to confusion. The UNC could state that Transco will contact all shippers and DNs as a first action. The DN will then undertake to monitor action in its area and report back to Transco on what is being achieved. DNs could also be responsible for use of the local rather than national media etc.

Next Steps
I do not think it is good enough to rely on what has been an internal procedure for fulfilling the safety case. The lines of communication and responsibilities must go into the UNC, Offtake etc. Do shippers currently know if they are being contacted by NTS or the DN in an emergency – if not they do need to know in future. This is a two

way street as a customer with a problem will go back to his shipper who then needs to go back to the right control room.

I would still like to see NGT provide a blow by blow account of who does what so we can codify the actions for the future. **"**

Transco Response

The Secretary of State defines the criteria for priority end users. This came into force on 22nd November 1999 after consultation with the industry.

The three categories (on which PGT's list of 'Priority Gas Consumers' is to be based) are as follows:

Category 'A'

This covers priority customers (above 25,000 tpa) on firm supply contracts, where a failure in the supply to their premises could put lives at risk. Example of such customers would be:

- Used for gas processing or gas transmission installations.
- Hospitals or Homes for the elderly and disabled.
- Police, Ambulance, Fire Services, Coastguard, Mountain or Mine rescue services.
- Water, Sewerage, Telecommunications and Transport services.

Category 'B'

This covers priority customers who would otherwise fall into category 'A' but for the fact that they are on interruptible contracts. As far as possible supplies to such sites should be maintained for the contractually agreed notice period for interrupting the supply of gas. Supplies might be restored to these customers in advance of supplies to other interruptible customers.

Category 'C'

This covers customers operating major items of capital plant which require time to be safely shut down and would sustain serious damage (£50 million or more) if gas supplies ceased suddenly. Examples of such customers would be furnaces and glass works.

Shippers can request identification within our system of priority status consumers. Transco currently validate the request and then either confirm or reject with shippers then being able to refer disputes to the DTI. Additionally on at least an annual basis Transco currently validates such priority identification with relevant shippers.

The relevant transporter will be responsible for providing this registration service that we anticipate will be required by the successor to the Amended Standard Condition

18 para 10 of the GT Licence. The current business processes to support this will remain in place with shippers interfacing to the Agency (xoserve).

The priority contact details, provided by the Shippers/Suppliers, for sites consuming greater than 25,000 therms per annum are held by Transco in a database which is independent of the UK-Link sites and meters database (S&M). However there are systems available that enable the generation of a Firm Load Shedding Database that can be used in emergency conditions. This database is accessible via remote PC links at all times from each DN and in the event of an emergency the DN will use this database to obtain a list of firm customers (and their associated priority status). This will be used by the DNs in respect of both Local Gas Supply Emergencies (LGSE) or Network Gas Supply Emergencies (NGSE) (where the NEC may request the volume of load reduction required). The database and associated listings are then used to inform end-user contacts and to satisfy the DNs obligation to update the NEC on an hourly basis.

With respect to local emergencies the DN (via the ACC) will contact interruptible end-users directly for emergency interruption purposes unless the number of affected interruptible sites is greater than 12, when such communications will involve GNCC and communications with shippers will be via ANS to facilitate a rapid response.

Any firm load shedding will be completed by the DN which will involve the initiation of a DN incident room.

A declaration of a National Emergency will be made from GNCC at the behest of the NEC. GNCC would send individual Shippers their portfolios, detailing which interruptible sites they are required to interrupt. Firm load shedding would be conducted by DNs via their incident rooms.

The emergency procedures that Transco uses are defined in three documents: Transco/E/1 (E1) defines the procedures applicable in a Network Gas Supply Emergency (Emergency within the Primary System), Transco/E/2 (E2) defines the procedures that will apply in Local Gas Supply Emergencies, and Transco/E/3s (E3s) are local/departmental procedures which contain the detailed administrative process to be enacted, in order that the requirements of the E1 and E" are implemented during either a NGSE or a LGSE.

Post DN sale any network will need to have its own E2 and E3 procedures. Transco will supply templates to assist iDNs develop these procedures, the iDNs will be responsible for ensuring they are produced. The E2 procedures will be referenced from the iDNs Safety Case and therefore the procedures will require the approval of the HSE.

The E2 will need to comply with the E1, Network Code, Gas Transporters Licence, Gas Transporters Safety Case and the NEC Safety Case.

Appendix 3

Non-compliant gas

Lisa's questions were as follows:

Action 7 - Non-compliant Gas

"There are two areas to note under this:

1 - The current Offtake Code draft would give DN's the same compensation as the shippers under the Network Code. This does not seem proportionate with the potential damage to their assets.

2 - The UNC will need to make it clear that the compensation comes from the transporter where the non-compliant gas originated. So if Transco deliver non-compliant gas to the DN which then goes to the customer, Transco should pay the shipper directly. This would reduce the administrative costs and speed up compensation, which ultimately benefits the customer."

Transco's Response

The intention is to provide a similar structure for compensation to that which would apply to shippers where risks are controlled and do not exist in an uncapped sense. The approach seeks to establish a sensible commercial practice where each party is best placed to manage its own risk including, where appropriate, through insurance and therefore parties should not be entitled to seek to recover all losses (unspecified or uncapped) from another party, in this case NTS. Hence an approach consistent with Code has been adopted for use.

The UNC approach is that should the issue of quality of gas arise it would be resolved between the shipper and the GT at the point of offtake from the system ie. at the supply point. At that point the shippers contract is with the individual GT and that GT is liable to the relevant shipper in respect of the compensation. To the extent that this represents a failure by the NTS of a gas specification requirement in the offtake code the GT will be entitled to compensation from the NTS under that document.

Appendix 4

SOMSA

Lisa's questions are indicated in italics:

Will rDNs not simply have a SOMSA as well? This seems necessary to prove non-discrimination as without it the services to rDNs are undefined.

RDNs would only have a SOMSA in the place in the event of legal separation from Transco as a aprty cannot contract with itself. The intention, however, is to operate rDNs to the SOMSA in a similar way providing the same level of service, and expecting the same provision of information. It is intended that a team will be established at Hinckley to manage SOMSA services part of which will be to ensure parity of treatment across all DNs.

Will there be any financial liabilities on Transco?

Yes, it is proposed that there will be liabilities provisions for both parties. In relation to physical damage it is proposed that a mutual hold harmless would apply. Liability for increased costs of working would be capped at a level related to the value of the contract.

What is appropriate notice for exiting a SOMSA? Does it impact any other players - i.e. do data flows change etc?

Any DN wishing to Exit from the SOMSA will be expected to give a minimum of 18 months notice of the intended termination date. Information flows under the SOMSA agreement would cease after its termination.

The SOMSA is the agreement under which NGT operates the iDN system, and fulfils the relevant obligations for the iDN of the Offtake Code. When an iDN establishes its own control function and exits the SOMSA it will need to demonstrate its ability to continue to comply with the Offtake Code, including data flows.

On the reports - where NExAs etc have been breached is Transco undertaking to try and enforce these contracts or will the DN be notified more often than monthly? Likewise with gas quality etc?

NGT as SOMSA service provider will monitor compliance with the NExA obligations, e.g. timeliness of provision of OPNs and actual flows against nominated flows. It will report on a monthly basis to the DN owner.

If the downstream operator was not complying with the terms of the NExA agreement then depending on the effect on the system NGT would either contact the downstream operator directly and request updated OPNs; alternatively, if their actions could lead to a potential gas supply emergency then NGT would inform the downstream operator

point and report this to the DN owner immediately for them to take action directly with the downstream operator.
Likewise with Gas Quality etc, NGT will operate the DNs system to comply with all requirements and take actions necessary at the time, not just report on a monthly basis.