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Dear Colin

Transmission Price Control Review: Third Consultation on draft licence modifications (Gas transmission)

Further to your open letter dated 16 May regarding the above, please find below some comments on draft licence conditions C11 and C24.

Special Condition C11: Transmission Planning Code

As a general comment, we believe that it will be necessary to ensure that all terms used in this condition are consistent with other terms used in the NGG NTS licence. For example, reference is made to entry capacity and exit capacity whereas in other conditions they are referred to as NTS entry capacity and NTS exit capacity. Likewise reference is made to “baseline and purchased entry and exit capacity” whereas we believe it should refer to “NTS baseline entry capacity” and “NTS baseline exit capacity”.

Also, given that until 1st October 2011 there are transition arrangements and therefore “NTS exit shipper capacity” will need to be included. In other words, following the completion of the drafting of Special Condition C8A it will be necessary to ensure that the drafting of this condition is consistent with the intent of the condition and makes appropriate references to the defined terms (particularly the NTS capacity products) set out in C8A. It may also be necessary to include additional definitions in C8A if new terms are going to be used in this licence condition for example the proposed use of “node”.

Paragraph 1 states that NGG NTS shall have in force a transmission planning code it does not however state that NGG NTS must comply with this code at all times. We

believe this is an oversight by Ofgem and therefore, this paragraph should be amended to include such a compliance obligation.

We note that there is no specific requirement on how often NGG NTS would be required to publish this code or how often it should be reviewed and consulted upon. We therefore believe that there could be merit in considering an obligation on NGG NTS to review the code annually and consult on any proposed changes.

Paragraph 3 does not stipulate the time periods or conditions over which NGG NTS is required to determine the physical capabilities of the system. In our view, these capabilities should be annual; under peak demand conditions; and at maximum and minimum pressures.

We believe that paragraph 3(b) should also refer to any obligated incremental capacity that has been released by NGG NTS and for which it will be receiving incentive revenue. We also believe that explicit reference and clarification should be given to the interactions between NTS entry and exit capacity, this is going to be a critical interaction going forward and users of the system will need to understand this relationship in order to assess the likely availability of capacity.

We are not sure what is meant by “equipment” in paragraph 3(d).

While we recognise that the modification of the proposed Transmission Planning Code will sit outside of the UNC we do believe that NGG NTS should use the Transmission Workstream to ensure compliance with the “proper consideration” and “attention of interested parties” requirements set out in paragraph 4.

Paragraph 8 does not read correctly, we assume it is meant that NGG NTS will be required to furnish the Authority with a copy of the code AND any person requesting the same?

Paragraph 9, last line, should read “issued by the Authority”.

It would be helpful to understand under what circumstances the Authority would envisage directions relieving the NGG NTS of its obligations under this condition under paragraph 10. We also believe that Ofgem should consult the industry as well as NGG NTS where it is considering directions under this paragraph, the industry would certainly need to know if/when a direction was being considered/granted.

Special Condition C24 – Network Model

As per our comments in relation to the drafting of Special Condition C11 above, we believe that a number of the terms used in this condition will need to be reviewed to ensure consistency with the term used in other NGG NTS licence conditions and with the definitions contained in Special Condition C8A.

We believe that paragraph 2(d) should refer to exit points as well as entry points. We also believe that reference to the “gas transportation network” in the last line is incorrect as it would suggest the whole of the GB network, i.e. NTS and the GDNs. We therefore believe that this term should be replaced with “NTS gas transportation system”.

We believe that it would be beneficial if the information provided to the Authority under paragraph 2(e) is also shared with the GDNs and shippers, even if at a high level.

Paragraph 3 sets out what the model should include, however, no mention is made of pressures. We believe that the Network Model should also include network pressures and, as per our comments on Special Condition C11 above, timeframes and conditions (e.g. annually and based on peak demand conditions) should be stipulated to ensure the model is meaningful.

We believe that the references to the “gas transportation system in paragraphs 3(d) and 3(e) should be replaced by “NTS gas transportation system”. Likewise paragraph 6(a).

Paragraph 6 refers to the data that shall be provided to populate the network model. In addition to baseline capacity we believe that obligated incremental capacity above baseline should be included in the model. References to forecast CVs have been made, however, pressure is also an important parameter and should therefore be included in the data that must be provided.

Although paragraph 1 determines the date by which the initial model must be available, it does not appear that there is any requirement on NGG NTS in respect of the frequency with which NGG NTS must review and amend the model. Paragraph 8 merely states that the model must be reviewed periodically. In our view this needs to be more specific and should take account of updates being required when there are one-off connections or significant change being made to the network such as incremental capacity being made available and new large/additional loads connecting to the system. Failure to update the model to reflect these incremental changes would, we believe, make the model less meaningful. The frequency of data updates is also relevant to paragraphs 6 and 7.

Paragraph 8 requires an expert’s view of the model prior to any modification being made to it. However, we also believe that consideration should be given to the inclusion of a routine audit/review of the model by an independent expert to ensure that the model remains relevant at all times and does not become “outdated” as a result of a failure by NGG NTS to bring forward timely changes.

Finally, under paragraph 10 it would be helpful to understand under what circumstances the Authority would envisage directions relieving the NGG NTS of its obligations under this condition.

I hope that you will find the above comments useful.

Yours sincerely

Victoria Hunter
Regulation Manager