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value for all customers*

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Dear Mr Reeves

### **Notice of approval of the Transmission Planning Code**

Ofgem has received a copy of the Transmission Planning Code document from National Grid Gas (NGG), with a request for Ofgem to approve the document. This letter sets out the purpose of the Code, our views on changes that have been made to the Code and our reasons for granting approval.

### **Background**

The requirement for a Transmission Planning Code was introduced at Transmission Price Control Review 2007-2012<sup>1</sup>. The Code informs parties wishing to connect to and use the National Transmission System (NTS) of the key factors affecting the planning and development of the system. The aim of the Code is to provide greater transparency and clarity for system users, to achieve better consistency in analysis across the network, and to improve the flow of information to network users.

The original version of the Code was approved by the Authority and became effective on 1 October 2008. The Code is subject to review every two years and on 23 August 2010 NGG issued an industry consultation on the second edition of the Code.

### **Changes to the Code**

The main revision proposed by NGG was in the section concerning design margins<sup>2</sup>. The design margin is used to provide a reserve amount of capacity on the system to allow for factors that affect NTS transmission capacity but cannot be modelled explicitly by the existing network analysis tools.

During the workshops held to develop the original Code, NGG presented data from a study they had commissioned to review design margins (Advantica Review, September 2008). This had recommended a reduction in the design margin level used from 5% to 2%. However, this revision was not included in the original version of the Code as it was necessary for NGG to agree these changes with the Health and Safety Executive. They have subsequently been agreed and are now incorporated in NGG's Safety Case<sup>3</sup>.

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<sup>1</sup> Specifically, Special Condition C11 of the gas transporter licence

<sup>2</sup> Sometimes referred to as "flow margins"

<sup>3</sup> National Grid Gas, Gas Transporter Safety Case (Gas Transmission)v6.1 July 2009

In the proposed Code, the description of the use of design margins reflects the updated Safety Case and an explanatory table shows the derivation of the design margins that will be applied in all future network analysis for the NTS.

The Advantica review also identified that the universal nature of the design margin may not provide sufficient system support to prevent failure at some system extremities. Additional pressure cover is required at these points and an extra section has been introduced to the Code to explain how these circumstances arise and will be treated in network planning. NGG has confirmed with Ofgem that this is only relevant to two offtakes on the system, and so the importance of this factor is limited.

Industry did not raise concerns about these changes to the Code during the consultation process. NGG submitted the revised code to the Authority for approval on 30 September 2010. This version was subsequently amended at Ofgem's request to reflect better current arrangements in the legislative framework and changes in how exit capacity is planned. For the avoidance of doubt, this approval letter relates to the Transmission Planning Code subsequently submitted by NGG on 8 October 2010.

### **Ofgem's view**

The universal application of the design margin is an important factor in network planning and the downward revision is welcomed by Ofgem. This reduces the reserve capacity that is required in network planning and potentially reduces the incidence of unnecessary reinforcements. We also welcome the clarification provided in the use of pressure cover at system extremities.

We continue to believe that the proposed Code meets the requirements of the licence and will satisfy the objectives of providing greater transparency, consistency and improving the flow of information available.

### **Ofgem's decision**

Following consideration of the documentation provided and having regard to the Authority's principle objective and statutory duties<sup>4</sup>, Ofgem has decided that it will approve the Transmission Planning Code submitted by NGG on 8 October 2010.

Hannah Nixon  
**Partner, Transmission**

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<sup>4</sup> Set out in Section 4AA of the Gas Act 1986, as amended, most recently by the Energy Act 2010