

Clement Perry  
European Wholesale  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Paul Whittaker  
Director, UK Regulation

paul.whittaker@uk.ngrid.com  
Direct tel +44 (0)1926 653190

[www.nationalgrid.com](http://www.nationalgrid.com)

29<sup>th</sup> April 2013

Dear Clement

National Grid plc welcomes the opportunity to respond to Ofgem's Open Letter: Next steps for Great Britain's (GB) implementation of the first European Union (EU) network code for gas on Congestion Management Procedures (CMPs).

This response encompasses the views of National Grid Transmission (NGT), National Grid Gas Distribution, National Grid Grain LNG and National Grid Metering. This reply is in two parts: the opening section will provide an executive summary associated with the implementation of CMP, and change to the gas day. The second part will look at the specific question of 'how the change to the gas day could impact on the GB gas system?'

The GB gas industry is governed by the legal and contractual framework of the Uniform Network Code (UNC). Under the reforms of the Third European Energy Package, a series of new, legally binding European network codes are being developed to promote efficient cross border trade of gas among EU member states. The first EU network code in line for implementation is the Congestion Management Procedures (CMP). Whilst not strictly required for implementation of CMP, the change to the GB Gas Day is an important element of both the Capacity Allocation Mechanism (CAM) and Balancing codes and as such National Grid welcomes the fact that Ofgem has included this within its open letter and asked a specific question to the industry about the potential impacts.

### **Congestion Management Procedures (CMP)**

National Grid believes that the GB regime is broadly compliant with the principles of the CMP regulation but recognises that there are some areas that need to be addressed and as such has raised UNC Modification Proposal 0449 which is currently being developed via the UNC Transmission Workgroup. The main elements contained within the proposal are:

- A definition of an Aggregated System Entry Point Interconnector Point to enable the application of CMP at Interconnection Points
- The introduction of surrender processes for entry and exit capacity processes as required under CMP
- A change to the Annual Monthly System Entry Capacity Auction to facilitate the release of non-obligated capacity
- Information transparency

There are a number of other elements that need to be considered as part of CMP in 2014 (Long Term Use It or Lose It) and 2016 (Daily Firm UIOLI). With regards to the Long Term Use It or Lose It element we believe that the decision process around withdrawal of capacity sits with the relevant National Regulatory Authority (NRA). We also note that the CMP arrangements will need to be reviewed as CAM is implemented to provide a holistic solution to both CMP and CAM.

### **Change to the Gas Day**

National Grid believes that changing the gas day from 06:00-06:00 to 05:00 to 05:00 is likely to be a complex process that will affect a wide range of business functions.

- National Grid anticipates the full chain of market stakeholders from production participants through to the supply of end-consumers will be affected by the change to the gas day to some degree. The impacts will extend to offshore contracts, as well as onshore agreements.
- The spread and potential complexity of the impact of the change to the gas day, creates, and drives the need for a coordinated industry-wide approach in order to maintain an efficient functioning GB gas regime as it integrates with the EU market. We consider that the most appropriate means to capture, and assess, such wide ranging impacts would be to establish a dedicated workgroup.
- National Grid believes that clear ownership and leadership needs to be established on how the issue of changing the gas day will be managed. This needs to be driven forward at the earliest opportunity to allow for any significant system changes to undergo in-depth analysis and redesign.
- An early agreed implementation date would help to focus the industry to work towards aligning their systems, contracts, licences and measurement equipment to meet this date.

We would be happy to discuss and expand on any of the points made in this response. If you would like to discuss the response further please contact Fergus Healy regarding any aspects on CMP ([Fergus.Healy@nationalgrid.com](mailto:Fergus.Healy@nationalgrid.com) or 01926 655031) or Hayley Burden for any aspects on gas day change ([Hayley.Burden@nationalgrid.com](mailto:Hayley.Burden@nationalgrid.com) or 01926 656972).

Yours sincerely

[By e-mail]

**Paul Whittaker**  
**Director, UK Regulation**

## **How the change to the gas day could impact on the GB gas system?**

### **Introduction**

The pending implementation of the EU Network Codes for gas presents the challenge of amending the timing of GB gas day from 06:00-06:00, to 05:00-05:00, in order to become compliant with the requirements of the EU Network codes (Capacity Allocation Mechanism (CAM) and Gas Balancing).

The within day, day ahead and other gas processes have all been developed around these times. The structure of the 06:00-06:00 gas day is inherent within the Uniform Network Code (UNC) and its associated documents, including licences and various contractual agreements. It is also acknowledged that physical gas processes were the driver behind these times, and trading behaviours by market participants are now focused around the 06:00-06:00 gas day.

National Grid are in the process of undertaking an internal review on the impact of the gas day change. Initial findings suggest its impact is far reaching across a number of our business functions however the complexities of these impacts are still being assessed. We have highlighted potential impacts to our business and the industry through presentations at the Transmission Workgroup Meetings and have encouraged the industry to consider the affects of this change on their own businesses. We acknowledge that this workgroup does not necessarily capture the full breadth of GB gas industry participants, and welcomes Ofgem's open letter on this matter. National Grid suggests that an extended consultation should be initiated with the whole industry as soon as reasonably practicable.

This response details our preliminary view of the main impacts of the gas day change based on our own initial findings. It must be stressed that at this stage it is of limited scope and, as mentioned earlier, a more detailed analysis is ongoing. Nevertheless what has become evident from an early stage of our review is that National Grid will not be able to fully understand the extent of the impact on business processes without the input of its stakeholders.

### **Uniform Network Code (UNC)**

The UNC contains a number of time references within its sections. Some refer directly to the start and end time of the current gas day, and others refer to set times within processes conducted within the gas day, day ahead or on other days as specified. The research being undertaken by National Grid to date has identified that the processes most likely to be affected by the change to the gas day are day ahead (D-1) and within day (D) gas processes.

Many of the 06:00 time references that refer to the start/end of the gas day are anticipated to require a simple text change however these may still have implications in terms of an IS system change. A number of the 06:00 references correspond to aspects of the physical gas regime which are dependent on domestic gas demand and usage, such as the assured pressure process. The change to the gas day is not expected to affect the pattern of demand usage, however possible implications of changing the process times will need wider discussion with the Distribution Network Operators (DNOs) and Independent Gas Transporters (iGTs).

There are a number of other time references contained within the UNC which dictate the timing of processes which have interdependencies with other time related processes (e.g. capacity allocation, demand forecasting, nominations etc). Therefore if a time within one process is moved due to the gas day change, the impacts of this on interlinked processes also needs to be assessed and understood.

National Grid are currently assessing the feasibility of two options of how to implement changes to the timed processes within the UNC due to the change of the gas day. One option being considered is to move all timed processes back by an hour. The alternative option is to only move the processes that need to change due to the impact of the change to the gas day. Our more in-depth analysis of the interdependent processes will help inform the most appropriate and efficient option to pursue, however, this can only be assessed comprehensively with the engagement of other industry users affected by UNC processes. It is currently our intention to initiate a formal UNC Review Group once the conclusions of this open letter process are published. A UNC review group for changing the gas

the day would facilitate a better understanding of the impacts of this change on UNC users. The industry can then develop any UNC modification proposals required to implement the change to the gas day.

### **Information Systems (IS)**

The change to the gas day will unavoidably have an impact on industry information systems. iGMS (Integrated Gas Management System) is the system National Grid use to monitor and manage flows of physical gas through the transmission network within the Gas National Control Centre (GNCC). iGMS has over 20 interfaces, and many of these link to other systems which themselves have numerous interfaces and dependencies (e.g. Distribution Network Control System (DNCS)). These interfaces extend to all of our key industry stakeholders (e.g. transporters, shippers, etc) and the co-ordination of changing the gas day will require significant collaboration across numerous IT service providers and organisations.

We are currently undertaking an iGMS evaluation in order to fully understand the impact of the change to the gas day, in order to manage and minimise any identified risks. Due to the nature of the change to the gas day, a phased implementation across systems is unlikely to be appropriate. A single changeover date will present a greater business risk to the industry, which will require careful quantification and management.

Gemini is another system that interfaces with iGMS and it is critical to the commercial operation of the GB gas industry. A change order assessment has been raised with Xoserve in order to understand the impact of changing the gas day on the Gemini system. It must be noted that any changes to Gemini will inevitably have an effect on the shipping community, and their engagement on this issue is pivotal.

National Grid Gas Distribution has also raised a change order assessment with Xoserve to understand the impacts of changing the gas day from a DNO system perspective which includes the UK Link suite of systems.

There are also a number of other challenges inherent in changing the gas day from a data management perspective, including how we report on and manage historical data. A number of other key delivery IS programmes are currently ongoing within the gas industry, such as the asset health replacement of iGMS, which will require careful consideration alongside any changes required to systems due to the change of the gas day.

The impact of changing the gas day upon IS systems should not be underestimated. Significant resources and funding will be required to fully analyse the impacts which will have an effect upon all industry users.

### **Gas Measurement Equipment**

Across the NTS there are a number of sites which measure and monitor gas quality at entry and exit points. Within certain sites there is flow weighted average measurement equipment to measure the calorific value of gas (CV). At these sites equipment collects and collates data at set time periods to coincide with the gas day time frame. Investigation is underway to ascertain how any change required to the measurement equipment could be implemented. However, it has to be kept in view that any change will need to be coordinated with the DNOs who are responsible for Local Distribution Zone (LDZ) meters as well as upstream parties who also own and operate gas measurement equipment. Such an example accentuates the need for a collaborative industry-wide approach to understand such issues.

### **Contracts**

We manage a large number of contracts to assist our customers in relation to connecting, disconnecting or diversions to the National Transmission System (NTS), together with contracts in relation to the transportation of gas. Many of these contracts will require text changes in order to redefine the start/end of the gas day to align with EU law. However, there are a number of time-related processes contained within contracts that are potentially affected by the gas day change. To

review all contracts to identify all possible impacts will require further, significant time-intensive analysis.

### **Licences**

Similar to the UNC, the National Grid Gas Transporter Licences have a number of text references to the start of the gas day being 06:00 which will require changing. The definitions for Formula Year, Formula Month and Gas Year use the 06:00-06:00 reference and these definitions are used throughout the licence.

All licences including those applicable to other transporters, shippers, suppliers and interconnectors will need to be assessed for gas day change impact.

### **Legislation**

National Grid has legal obligations to comply with national legislation including the Gas Act 1986, Utilities Act 2000, Gas Safety Management Regulations 1996 and The Gas (Calculation of Thermal Energy) Regulations 1996. We are aware there is a reference to the gas day starting at 06:00 in The Gas (Calculation of Thermal Energy) Regulations. An extensive search of all legislative documents will need to be undertaken as part of the GB change. The inclusion of legislation in this response serves to emphasise the wider impact changing the gas day has.

### **Other Impacts**

We have a number of external contracts with outside organisations that are fundamental to operation of the gas network, these will also need to be analysed and may require renegotiation due to the change of the gas day e.g. weather forecasting contracts, telephony contracts etc.

There is expected to be a consequential effect of changing the gas day on data flow processes within gas measurement and allocation processes which are aligned to gas transportation arrangements.

Unique sites, offtake meters and meters within the Local Distribution Zones (LDZs) will all need to be assessed as to how the change to the gas day will impact on them. To investigate this fully, close co-ordination between NGT, shippers, suppliers and other transporters will be required.

### **Conclusion**

We hope that this response demonstrates that the change to the gas day is multi-faceted, requiring a collaborative approach to assessing and implementing these changes.

It is unlikely that this list of potential impacts is exhaustive, and each individual producer, shipper, supplier and transporter will have its own internal processes and systems that in some way may be affected by the gas day change.

A clear and defined leadership path is required to take this industry-wide issue forward, in order to assure a smooth and managed transition in changing the GB gas day. Such a pivotal change to the gas industry could create significant risk to the security of gas supply if this process is not managed and implemented comprehensively. In order to avoid such issues National Grid would welcome the active engagement of the wider industry within a dedicated workgroup to address the change to the gas day in a more focussed setting.