

Gas Transportation
Transmission Planning Code

nationalgrid

About this document

National Grid owns and operates the National Transmission System (NTS), the high pressure natural gas transportation system in Great Britain. It has a duty to plan and develop the system in an economic and efficient manner. This document describes how long term supply and demand forecasts are used to develop the investment proposals published in National Grid's Ten Year Statement.

This document is part of a suite of documents that describe how the NTS is planned and developed over the long term and how capacity is released to users of the system. These documents may be obtained from National Grid at our website <http://www.nationalgrid.com/Gas/>.

This statement of the Transmission Planning Code is effective from 1 October 2008.

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Contents

1	Introduction.....	1
1.1	Document Scope.....	1
1.2	Document Structure	1
2	Legislative Framework.....	2
2.1	Gas Act 1986 (as amended by the Gas Act 1995)	2
2.2	National Grid’s Gas Transporter Licence in respect of the NTS	2
2.3	Pipelines Safety Regulations 1996	5
2.4	Pressure Systems Safety Regulations 2000	6
2.5	Gas Safety (Management) Regulations 1996.....	6
2.6	Environmental Impact Assessment Directive	7
2.7	Town and Country Planning Act 1990	8
2.8	Integrated Pollution Prevention and Control Directive and the EU Emissions Trading Directive	8
3	Policy and Guidelines for NTS Planning.....	10
3.1	Industry Standards and Guidelines.....	10
3.2	National Grid Policies.....	10
4	Investment Planning.....	12
4.1	Transporting Britain’s Energy Consultation	12
4.2	Planning Cycle	12
4.3	Ten Year Statement.....	14
4.4	New Projects Requiring Entry or Exit Capacity.....	14
4.5	Operational Analysis	14
5	Supply.....	16
5.1	Long Term Supply Scenarios.....	16
5.2	Supply Scenario Updates	18
6	Demand	19
6.1	Long Term Demand Scenarios	19
6.2	Demand Forecasts.....	19
6.3	Offtake Capacity Statements and Long Term Planning Information	20

7	Entry Capacity	21
7.1	Long Term System Entry Capacity Auctions	21
7.2	Development of Supply and Demand Scenarios	21
7.3	Network Capability Analysis for Entry Capacity	21
7.4	Investment Planning Analysis for Entry Capacity	22
7.5	Analysis of Long Term System Entry Capacity Auction Signals	22
8	Exit Capacity.....	25
8.1	Long Term Exit Capacity Bookings.....	25
8.2	Development of Supply and Demand Scenarios	25
8.3	Network Capability Analysis for Exit Capacity	26
8.4	Investment Planning Analysis for Exit Capacity.....	26
9	Network Analysis	29
9.1	Basis of Network Analysis Models	29
9.2	Analysis Assumptions	29
9.3	Steady State Analysis	30
9.4	Transient Analysis.....	30
9.5	Design Margin	30
9.6	Supply Flows.....	33
9.7	Demand Flows	33
9.8	Storage and Interconnector Flows	33
9.9	Ramp Rates	33
9.10	Maximum Entry and Exit Flows.....	34
9.11	Standard Volumetric Flows	34
9.12	Entry and Exit Pressures.....	35
9.13	Compressors	37
9.14	Regulators	40
9.15	Multi-junctions	40
9.16	Gas Quality and Temperatures.....	40
9.17	Reinforcement Projects.....	41
9.18	Optimal Reinforcement	43
9.19	Alternatives to Investment Projects.....	44

Appendices

Appendix A: Glossary.....	46
Appendix B: References	52
Appendix C: Document Revision History	53

Chapter One

Introduction

1.1 Document Scope

The National Transmission System (NTS) is the high pressure natural gas transportation system in Great Britain designed to operate at pressures of up to 94 bar(g). Gas is transported through steel pipelines from coastal reception terminals and storage facilities to large consumers (such as power stations and industrial sites), storage facilities and distribution networks connected to the system.

National Grid owns and operates the NTS. It has a duty to plan and develop the system in an economic and efficient manner. This document describes National Grid's approach to planning and developing the NTS in accordance with its duties as a Gas Transporter and other statutory obligations relating to safety and environmental matters, and is published in accordance with Special Condition C11 of National Grid's Gas Transporter Licence in respect of the NTS.

Special Condition C11 requires that National Grid prepares and maintains a Transmission Planning Code that describes the methodology used to determine the physical capability of the system, to inform parties wishing to connect to and use the NTS of the key factors affecting the planning and development of the system.

National Grid must comply with the Transmission Planning Code in planning and developing the NTS. National Grid must also review the Transmission Planning Code at least every 2 years, after consultation with the gas industry. Modifications to this code must be approved by the Gas and Electricity Markets Authority (GEMA) before they may be implemented.

1.2 Document Structure

This document is structured in several chapters as explained below:

Chapters 2 and 3 describe the legislative framework, policies and guidelines in place that have a direct bearing on the planning of the NTS and lead times for investment.

Chapter 4 provides a high level overview of the Planning Cycle.

Chapters 5 and 6 describe the supply and demand assumptions used for planning.

Chapters 7 and 8 describe the commercial entry and exit capacity release processes and their effect on investment planning decisions.

Chapter 9 describes the assumptions used for planning analysis.

Chapter Two

Legislative Framework

National Grid is required to comply with certain legal requirements in the planning and development of the National Transmission System (NTS) in Great Britain. The key legislation affecting network planning and lead times for investment is described below. For clarity, “National Grid NTS” is used where National Grid is undertaking its duties in respect of the NTS.¹

2.1 Gas Act 1986 (as amended by the Gas Act 1995)

The Gas Act is the primary UK legislation that governs the transport and supply of natural gas within Great Britain. National Grid holds Gas Transporter Licences in respect of its gas transportation activities for the NTS and the four retained distribution network businesses. These licences are granted and administered by the Gas and Electricity Markets Authority (“the Authority”), established by the Utilities Act 2000.

Section 9 of the Gas Act states a Gas Transporter has general duties in the planning and development of their system, which are:

- “ (a) To develop and maintain an efficient and economical pipe-line system for the conveyance of gas; and
- (b) Subject to paragraph (a) above, to comply, so far as it is economical to do so, with any reasonable request for him –
 - (i) To connect to that system, and convey gas by means of that system to, any premises, or
 - (ii) To connect to that system a pipe-line system operated by an authorised transporter.”

Companies licensed as Gas Transporters are exempt from the need to obtain authorisation for the construction of pipes under the Pipe-lines Act 1962.

2.2 National Grid’s Gas Transporter Licence in respect of the NTS

National Grid is bound by the terms of its Gas Transporter Licence (“the Licence”) in respect of the NTS. This contains a number of Standard, Standard Special and Special Conditions that National Grid must abide by in developing and operating the network and in conducting

¹ The UK legislation on planning is under review and proposals for a new Planning Reform Bill, is being progressed through Parliament. The prevailing arrangements for planning are described in this document.

its transportation business. The licence obligations that are relevant to the planning and development of the NTS are described below.

2.2.1 Standard Special Condition A9: Pipe-Line System Security Standards

This condition sets out the security standard for the NTS. It requires that National Grid NTS plan the system to meet the 1-in-20 peak aggregate daily demand, including but not limited to, within day gas flow variations on that day.

The condition states that the 1-in-20 peak demand level should be calculated to include the load reduction through interruption or for contractual reasons and requires that historic data from at least the 50 previous years should be used when identifying the 1-in-20 peak day.

2.2.2 Special Condition C2: Long Term Development Statement

Under this obligation, National Grid NTS must publish an annual Long Term Development Statement for the NTS that sets out the likely use of the NTS, and the likely developments of the NTS, any other facilities or pipeline systems that may affect the connection charging and transportation charging arrangements over the next ten years. National Grid NTS publishes the Ten Year Statement (TYS) each year in accordance with this condition and the Uniform Network Code Transportation Principal Document (UNC TPD) Section O after consultation with the gas industry through the Transporting Britain's Energy process.

2.2.3 Special Condition C8D: NTS gas entry incentives, costs and revenues

The NTS entry condition sets out the entry capacity incentive arrangements that National Grid NTS operate under, the obligations on National Grid NTS to offer entry capacity for sale, the levels of entry capacity that must be offered for sale, and the process for increasing the levels of entry capacity that must be offered for sale.

The condition describes two incentive mechanisms that incentivise National Grid NTS to manage its lead times for additional entry capacity release around a default lead time of 42 months.

The details of the Entry Capacity release process are set out in Section B of the UNC and the Incremental Entry Capacity Release (IECR) Methodology Statement.

2.2.4 Special Condition C8E: NTS gas exit incentives, costs and revenues

The NTS exit condition sets out similar requirements to that for entry capacity. Under the enduring exit arrangements² there is an incentive for National Grid NTS to manage lead times for additional exit capacity release around a default lead time of 38 months.

The details of the Exit Capacity release process are set out in Section B of the UNC and the NTS Exit Capacity Release Methodology Statement.

² The Licence describes certain mechanisms which would come into effect with enduring exit arrangements. The modifications required to the UNC to enable the enduring exit arrangements to be implemented are currently under consideration by the Authority.

2.3 Pipelines Safety Regulations 1996

The Pipelines Safety Regulations (PSR) 1996 were made under the Health and Safety at Work etc. Act 1974. These Regulations are the principal health and safety legislation in the UK concerning the safety and integrity of pipelines, and are regulated by the Health and Safety Executive (HSE). They apply to all relevant onshore UK pipelines to ensure that these pipelines are designed, constructed, operated, maintained and decommissioned safely. In particular they class certain pipelines that transport certain “dangerous fluids” as Major Accident Hazard Pipelines (MAHPs). All natural gas pipelines operating above 7 bar(g) fall into this category.

PSR covers four areas:

1. Pipeline design
2. Pipeline safety systems
3. Pipeline construction and installation
4. Examination and maintenance

Operators of MAHPs are required to notify the HSE before construction, use and modification of the pipelines.

The Regulations require that construction of a new MAHP must not start until the operator has notified HSE at least six months prior to the start of construction (of the first stage of construction), although in practice the HSE are involved in discussions on the design and routing of the pipeline ahead of this notification period. Notification of at least 3 months is also required in other cases, for example in advance of

- Major modifications or remedial work to the pipeline.
- Changes in safe operating limits e.g. pressure uprating
- Changes in fluid composition or type as this may have an effect on pipeline integrity
- End of use of a pipeline (decommissioning and dismantling)
- Changes in pipeline materials and equipment
- Re-routing of pipelines

PSR further require that a pipeline operator has adequate arrangements in place to deal with an accidental loss of fluid from a pipeline, defects and damage to a pipeline or any other emergency affecting the pipeline. Operators of MAHPs must also have adequate emergency procedures, an appropriate organisation and effective arrangements in place to deal with an emergency involving a MAHP. Since pipelines may typically span large areas of the country, this requires the pipeline operator to liaise with local authorities along the route of the pipeline to ensure that they also have suitable emergency procedures in place to meet their obligations under PSR.

2.4 Pressure Systems Safety Regulations 2000

The Pressure Systems Safety Regulations (PSSR) 2000 aim to prevent serious injury from the hazard of stored energy as a result of the failure of a pressure system or one of its component parts.

The Regulations require owners of pressure systems to demonstrate that they:

- Have designed and constructed the pressure system to be safe with the appropriate protective devices where required;
- Have established the safe operating limits of pressure systems;
- Have a written scheme of examination in place prior to the use of the system; and
- Maintain and repair the system to meet the required safety standards.

The written scheme of examination certifies the pressure system (including all protective devices, pressure vessels and pipework) for use and must be approved by a competent (independent) person. Examinations must be carried out by a competent person and must be reviewed at regular intervals as defined by the written scheme. The system must also be maintained properly to ensure that it is safe.

The main protective devices for the NTS are compressor stations, pressure reduction installations and boundary control systems.

2.5 Gas Safety (Management) Regulations 1996

The Gas Safety (Management) Regulations (GSMR) 1996 require each Gas Transporters to prepare a Safety Case document that sets out in detail the arrangements in place in four main areas:

1. The safe management of gas flows through the network, particularly those parts of the network supplying domestic consumers
2. The management of gas supply emergencies³, including those measures in place to minimise the risk of a gas supply emergency occurring
3. The management of reported gas escapes and gas incidents
4. The management of gas quality and composition within safe parameters

Schedule 1 of GSMR describes the scope of the Safety Case. In particular, Schedule 1 states that the Safety Case must contain

“17. Particulars to demonstrate that the duty holder has established adequate arrangements to ensure that the gas he conveys will be at an adequate pressure when it leaves the part of the network used by him.”

³ The Gas Safety (Management) Regulations 1996 define a gas supply emergency as being an ‘emergency endangering persons and arising from the loss of pressure in a network...’. The definition of danger is limited to risks from the gas itself.

The Safety Case must be formally accepted by the HSE. Once accepted, there is a legal obligation on the Gas Transporter to comply with its Safety Case. Any changes to safety management systems, key technical policies and procedures concerning gas supply emergencies, staff resource levels, system operation changes, organisational changes or changes to commercial arrangements may require a material Safety Case revision. Such revisions will need approval by the HSE before they may be implemented.

National Grid Gas's Safety Case contains a section (Section 17: Adequate Network Pressure) that is relevant to the planning and development of the NTS to ensure that adequate pressure is maintained within the network under a range of operating conditions. This section of the Safety Case outlines the guidance documents used in the planning of the NTS and (which are also described later in this document) and the use of validated network analysis models for planning (which is expanded upon in this document).

2.6 Environmental Impact Assessment Directive

Council Directive 85/337/EEC: Assessment of the effects of certain public and private projects on the environment (also known as the Environmental Impact Assessment Directive or the EIA Directive) as amended by Directive 97/11/EC requires Environmental Impact Assessments to be conducted, before development consent is granted, for certain types of major projects which are judged likely to have significant environmental effects.

The Public Gas Transporter Pipe-line Works (Environmental Impact Assessment) Regulations 1999 implement the Directives in England, Wales and Scotland. They require a Gas Transporter proposing to undertake pipe-line works which fall in Annex I of the Directive to submit an Environmental Statement and apply to the Secretary of State for Business, Enterprise and Regulatory Reform (BERR) for consent to conduct the work.

Pipeline works in Annex II of the Directive may be subject to an Environmental Impact Assessment if they have a design operating pressure exceeding 7 bar(g) or either wholly or in part cross a sensitive or scheduled area. In these circumstances, the Gas Transporter must, before commencing construction, either obtain determination from the Secretary of State that an Environmental Statement is not required, or give notice that it intends to produce an Environmental Statement. The Regulations also provide for the Secretary of State to require an Environmental Statement where proposed works do not meet these criteria but nevertheless it is considered that there are likely to be significant environmental effects.

The Environmental Impact Assessment work examines in a comprehensive, detailed and systematic manner, the existing environment (natural, physical and built) and the proposed pipeline development. This typically requires the completion of a wide range of searches, studies and surveys over four seasons which takes a minimum of 12 months to complete.

The Environmental Statement is the culmination of all the searches, studies and surveys and also sets out National Grid's commitments to environmental management. Once complete the Environmental Statement is submitted to BERR.

It normally takes BERR between 9 to 12 months to review the Environmental Statement, complete the consultations required with all appropriate statutory and non statutory parties and grant the development consent required.

The timescales indicated above assume that access can be gained to the land as and when required to complete the studies and surveys needed; at the right time of year for the individual species requiring study. If access cannot be gained to the land, a Gas Transporter may have to revert to the compulsory purchase powers provided under the provisions of the Gas Act which can take up to 14 months to execute. Upon successful completion of the compulsory purchase orders, access to the land can be gained and the studies and surveys can then be started.

2.7 Town and Country Planning Act 1990

The Town and Country Planning Act 1990 is the land use planning system framework used to maintain a balance between economic development and environmental quality. Each country in the United Kingdom has its own distinct planning system with responsibility for town and country planning devolved to the Welsh Assembly and the Scottish Parliament.

Due cognisance has to be given to the Town and Country Planning Act for the provision of fixed assets such as Compressor Stations and Pressure Reduction Installations. So in order to develop a fixed asset, National Grid is required to apply for planning permission from the appropriate Local Council/Local Planning Authority. In the event that planning permission is refused, an appeal can be lodged that would be considered by an independent Planning Inspector appointed by the First Secretary of State or a full Planning Inquiry may be required.

The timescales for gaining planning approval for a development are indeterminate as they are dependent on the type, size and sensitivity of a particular development and are not defined in the legislation. If a Public Inquiry is required it can take up to 12 months to complete and once it is complete the Inspector appointed has to review all the information presented, produce a report and provide a recommendation to the Secretary of State. There is then a further period while the Secretary of State reviews the report and recommendation from the inspector, prior to reaching a determination in regard to the planning permission application.

2.8 Integrated Pollution Prevention and Control Directive and the EU Emissions Trading Directive

Council Directive 96/61/EC of 24 September 1996 concerning integrated pollution prevention and control (also known as the IPPC Directive) aims to ensure a high level of environmental protection and to prevent or, where that is not practicable, minimise emissions to air, water and soil, as well as waste, from industrial and agricultural installations in the European Community.

The IPPC Directive defines the basic obligations to be met by all the industrial installations concerned that cover a list of measures for tackling discharges into water, air and soil and for tackling waste, wastage of water and energy, and environmental accidents. They serve as the basis for the drawing up of permits for the installations concerned. The IPPC Directive also determines the procedure for applying for, issuing and updating operating permits and minimum requirements to be included in such permits (e.g. compliance with the basic obligations, emission limit values for pollutants, monitoring of discharges, and minimisation of long-distance or cross-border pollution).

The IPPC Directive has been amended by Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community (also known as the EU Emissions Trading Scheme or the EU ETS).

Further amendments have been made by Directive 2003/35/EC of the European Parliament and of the Council providing for public participation in respect of the drawing up of certain plans and programmes relating to the environment.

The Pollution Prevention and Control (PPC) Act 1999 is the primary UK legislation that enables Regulations to be made implementing the IPPC Directive. Separate Regulations transpose the IPPC Directive in England and Wales, Scotland, Northern Ireland, and the offshore oil and gas industries. These replace the pollution control regimes known as Integrated Pollution Control and Local Air Pollution Control set up under the Environmental Protection Act 1990.

The Pollution Prevention and Control (England and Wales) Regulations 2000 made under the PPC Act 1999 were replaced by the Environmental Permitting Regulations 2007 which came into force from 6 April 2008, combining the former with other Regulations dealing with waste management into one regulatory system. The Pollution Prevention and Control (Scotland) Regulations have not yet been replaced, however they have been modified several times to implement further European Directives and make clarifications within the Regulations themselves.

The main impact of the Directives and Regulations in the planning and development of the NTS is the requirement to reduce emissions levels from National Grid NTS compressor sites in England and Wales, and Scotland.

National Grid NTS undertakes an annual Network Review of all emissions related investment and best practice techniques used to control and reduce emissions from compressor sites. The findings of the review are discussed and agreed with the Environment Agency (EA) and the Scottish Environment Protection Agency (SEPA). Further information and a copy of the Network Review may be obtained from the environment agencies.

Chapter Three

Policy and Guidelines for NTS Planning

A number of policy and guideline documents are maintained for the purposes of planning and development of the NTS. Some of these are industry guidelines applicable to all high pressure pipelines. Others are maintained and developed by National Grid to ensure compliance with legislation, industry standards and best practice. This section lists the particular industry standards and National Grid NTS policies used for network planning.

3.1 Industry Standards and Guidelines

The guidelines adopted by National Grid are maintained and developed by the Institute of Gas Engineers and Managers (IGEM), which is a recognised authority on technical standards relating to the natural gas industry. These are available from the IGEM website at: <http://www.igem.org.uk/>.

3.1.1 IGE/TD/1: Edition 4 Steel Pipelines For High Pressure Gas Transmission

This document contains a comprehensive set of guidelines covering the design, construction, inspection, testing, operation and maintenance of high pressure steel pipelines and associated installations used for natural gas transmission, operating between 16 bar(g) and 100 bar(g).

3.1.2 IGE/TD/13 Pressure Regulating Installations for Transmission and Distribution Systems

This document contains a comprehensive set of guidelines covering the design, construction, inspection, testing, operation and maintenance of pressure reduction installations used for natural gas transmission and distribution systems up to 100 bar(g).

3.1.3 IGE/GL/2 Planning of Transmission and Storage Systems Operating at Pressures Exceeding 7 bar

This document contains guidance on the planning of high pressure natural gas networks, including the required agreements and processes between Gas Transporters operating different systems to ensure the continuity of supply across the system boundaries.

3.2 National Grid Policies

National Grid ensures that it is compliant with the legislative framework and guidance documents that affect the planning and development of the NTS. Two key policy documents that are directly related to network planning are its policies for Network Planning and Above 7 bar Network Analysis. These apply the recommendations made in the IGEM documents

listed above to network planning for the NTS. The policy documents are supported by procedures and guideline documents that are used by analysts undertaking investment planning analysis on the NTS. The assumptions used for network analysis models of the NTS held within National Grid NTS procedures and guidelines are described in Chapter 9.

3.2.1 T/PL/NP/18 Policy for Network Planning

This document sets out the policy requirements for network planning activities for use with all natural gas systems operating at pressures up to 100 bar(g). Network Planning is the process of ensuring that the network can meet the duty required of it under operational and design conditions up to the planning horizon. The policy covers all distribution and transmission networks operated by National Grid and requires transmission networks to be planned in accordance with IGE/GL/2.

The policy is supported by specific sections in IGE/TD/1 and IGE/TD/13 for the design of specific components.

3.2.2 T/PL/NP/4 Policy for above 7 bar Network Analysis

This is National Grid's policy for undertaking network analysis for all high pressure gas transmission pipelines operating above 7 bar(g) consistent with IGE/GL/2. The document covers system modelling, network analysis processes, record keeping and data security.

Chapter Four

Investment Planning

National Grid undertakes investment planning over a ten-year planning horizon on an annual basis. The investment is developed using long term forecasts of supply and demand and other information gathered through commercial processes to book capacity on the system. This Chapter outlines the annual investment planning process.

4.1 Transporting Britain's Energy Consultation

National Grid NTS undertakes an annual Transporting Britain's Energy (TBE) consultation process to gather detailed information in order to supplement the supply and demand assumptions used for investment planning and other forecasting needs. Questionnaires are circulated to a range of industry players (Producers, Importers, Shippers, Storage Operators, Delivery Facility Operators, Transporters and Consumers) requesting supply and demand forecast data and inviting views on National Grid NTS's underlying assumptions for supply and demand. Shippers are required to provide this supply and demand information under the UNC TPD Section O.

4.2 Planning Cycle

National Grid NTS will commence its annual planning cycle after the initial data has been gathered through the TBE process and will use this data to compile long term supply and demand forecasts. The process will consider those investments that may be required to respond to entry and exit capacity signals from the market. National Grid NTS will use detailed network models of the NTS under different supply and demand scenarios in order to understand how the system may behave under different conditions over a ten year planning horizon.

During this process, Distribution Network Operators (DNOs) can request exit capacity on the NTS to support their long term needs, and Shippers may signal their requirements in the long term entry capacity auctions under rules set out in the UNC. The information received from these commercial processes will be used to decide the final set of investments that are necessary to develop the system. National Grid NTS will consider long term signals received for additional capacity above the prevailing obligated/contracted capacity levels and long term capacity bookings/reservations within obligated/contracted capacity levels within the same annual planning process, in order to satisfy its wider duties to develop and maintain the system in an economic and efficient manner.

4.2.1 Network Capability Analysis

National Grid NTS will undertake network capability analysis to identify the ability of the NTS to accommodate a given supply and demand pattern, respecting the maximum and minimum pressure requirements of the network, and the efficient and safe operation of the system.

Analysis may be undertaken to identify capability for different needs, for example to identify Constrained LNG requirements, the maximum flow that may be supported at an entry or exit point, or the level of exit flexibility that exists on the system. The type of analysis (steady state or transient) and supply/demand scenarios will vary according to the study required. However the aim will be to find the point at which the network becomes “constrained” i.e. has reached its limits for the given scenario.

National Grid NTS will use this analysis to inform commercial capacity processes, for example, the level of flow that may be achieved at any entry point under certain supply/demand conditions compared to the obligations to release capacity at the entry point to determine a “constraint volume” of gas at the entry point. It should be noted that it is not possible to directly model the concept of capacity in the commercial sense within these physical network models.

4.2.2 Confirmation of Existing Projects

During the planning cycle, National Grid will analyse the first two years of the prevailing Investment Plan to verify whether the projects sanctioned during previous planning cycles are still required. In doing this, Licence requirements to release obligation capacity levels, commitments from capacity sold to Shippers in entry capacity auctions and commitments on exit for flat capacity, flexibility and pressures will be taken into account. National Grid NTS will also maintain a regular dialogue with Shippers, DNOs and Developers to ensure that information on the progression of their projects may also be used to inform National Grid NTS's investment decisions in a timely manner.

If it is found that sanctioned projects are not required as proposed through previous planning cycles (for example, due to changes in the underlying supply and demand forecasts, or as a result of new information provided to National Grid by Shippers or new information made available in the public domain) then analysis will be carried out to determine which year the projects should now be completed for.

4.2.3 Investment Planning Analysis

Investment Planning Analysis is concerned with identifying the possible reinforcements that can be made to the pipelines and plant on the NTS to increase the capability of the system. National Grid NTS will undertake Investment planning analysis to determine the level of investment required to support changes to supplies or demands on the system.

4.2.4 Annual Plan Review

National Grid NTS will check the network models developed during the annual planning cycle to ensure that the correct planning assumptions have been used, that project alternatives have been considered and that there is consistency across the ten-year planning horizon. National Grid NTS will document the audit findings in a plan review report alongside any recommendations for improving the network models and analysis techniques used for future planning cycles. This review document will be used in the next planning cycle to update the network model and analysis assumptions.

4.3 Ten Year Statement

The Ten Year Statement details National Grid NTS's latest supply and demand forecasts, proposed system reinforcement projects and investment plans. It is published at the end of the annual planning process and provides the platform on which the next annual planning process is built. National Grid NTS will describe the projects that are determined to be part of its final Investment Plan in the Ten Year Statement, after consideration of the information received from the long term entry capacity auctions (QSEC auctions) and incremental entry capacity release process, the long term exit capacity bookings made by DNOs and the exit capacity requirements of Shippers.

The Ten Year Statement is published in line with Special Condition C2 of the Licence and Section O of the UNC. Further information on the TBE process and the Ten Year Statement is available on our website at: <http://www.nationalgrid.com/uk/Gas/TYS/>.

4.4 New Projects Requiring Entry or Exit Capacity

From time to time, there are enquiries made by customers on new projects designed to deliver additional gas supplies into the UK market or connect new storage facilities, interconnector pipelines or loads to the system.

National Grid NTS will discuss such prospective projects with customers to help them develop viable projects that deliver benefits for the UK security of supply.

However, users of the system must obtain entry and/or exit capacity rights on the system in order to trigger additional investment that may be required to support their potential gas flows onto and out of the system under the prevailing commercial arrangements described in the UNC. Currently, entry capacity must be secured through a long term auction process, and exit capacity requiring specific reinforcement to the system must be secured through an Advanced Reservation of Capacity Agreement (ARCA) with National Grid.

It should be noted that there may be a lead-time associated with obtaining access to the system and customers are encouraged to enter into discussions with National Grid NTS at an early stage so that they fully understand the processes required to connect and use the system.

National Grid NTS is incentivised under its Licence to deliver entry and exit capacity in an efficient and economic manner. The Licence arrangements confirm National Grid NTS's revenue allowances for delivering additional entry or exit capacity. National Grid NTS would expect that such arrangements would be updated to include revenue allowances at new entry or exit points before any auction for entry capacity, or commitment to release exit capacity was made at these points.

4.5 Operational Analysis

The network analysis assumptions described in Chapter 9 will be applied to all network capability and investment planning analysis undertaken by National Grid NTS for the ten-year planning horizon.

National Grid NTS will use these assumptions as a basis for network analysis undertaken in operational timescales. National Grid NTS will also use other information that is available at

the time to supplement these assumptions. For example, this may include information on commissioning programmes for new connections to the system or temporary operating restrictions required on plant for short term constraints.

Operational analysis will be undertaken in the shorter term to:

- Ensure security of supply is maintained
- Determine strategies to facilitate the safe and efficient operation of the NTS
- Assess the impact of operational constraints (such as maintenance activities or plant operating restrictions) on the physical capability of the system
- Determine the physical capability of the network to support commercial processes (such as Entry Capacity Transfer and Trade).

Chapter Five

Supply

5.1 Long Term Supply Scenarios

The Ten Year Statement contains detailed information on, supply and demand forecasts, current reinforcement projects and investment plans, and actual flows seen on the NTS in recent years.

Following the annual TBE process, National Grid NTS will normally produce a Base Case long term supply forecast and describes a range of possible supply flows around this case. The Base Case is a supply case which provides a point of reference from which to develop other supply patterns anticipated on the NTS. If there is considerable uncertainty surrounding potential future supplies, more than one supply case with comparable weightings will be produced. All of this information will be published in the Ten Year Statement in accordance with the UNC TPD Section O.

In order to cope with increasing supply diversity and potential oversupply a range of possible supply patterns must be considered within the investment planning process. Such scenarios enable the modelling of the likely development of supply levels and supply patterns over the course of the ten-year planning horizon. Where the level of uncertainty remains that more than one TBE supply case is required to describe the range of future supplies published in the Ten Year Statement, supply scenarios will be developed around each TBE supply case. For the purposes of this document it is assumed that a single Base Case forecast is available, however the methods for developing supply scenarios are applicable across more than one TBE supply case.

The basic steps involved in developing such supply scenarios are described below.

5.1.1 TBE Base Case and Supply Ranges

For each demand level and year examined, National Grid NTS will normally develop a Base Case supply flow level for each supply point. Supplies are modelled at the level required to capture their behaviour, for example at an Aggregated System Entry Point, terminal or sub-terminal level depending on the different sources of gas that enter the system at such points.

5.1.2 Supply Scenario Identification

Generic supply scenarios will be developed through plausible situations that could occur for the NTS. These scenarios are qualitative descriptions of how a supply or group of supplies may react to certain market related events, including global market drivers. Reasoning and background will be included with each case to describe how that particular flow pattern may occur.

Long term planning analysis requires that the supply levels must be matched to the total demand level. Due to the requirement to match supply with demand, some supplies may flow whilst others may not.

In order to model specific supply levels and patterns that meet demands within a particular supply scenario, information is needed on which supplies are believed to more likely to flow than others (essentially a supply ranking), which supplies may be displaced by other sources of gas (supply balancing) and the range associated with a maximum and minimum likely anticipated flows for each supply. It should be noted that these rankings may vary from one supply scenario to another, and that many specific supply levels and patterns may be examined under each generic supply scenario.

Broadly, it is the highest demand days that drive investment. On these days the supply scenarios will be focussed on the potential interaction between

- LNG imports
- Pipeline imports and
- Gas sourced from storage.

The variability in potential supplies from the sources outlined above is considered to be large and the uncertainties are increased by a general lack of evidence to support assumptions about levels of gas flow. The interaction or extent to which one source of gas will displace another is also an unknown factor. Within the broad categories described above, different assumptions will be made for each element (for example, it might be assumed that pipeline import facilities each have different characteristics).

Gas from the United Kingdom Continental Shelf (UKCS) is generally considered to have a greater certainty of being delivered at the beach and as a consequence the range of uncertainty is reduced when compared to LNG imports etc.

At lower demand levels, the planning assumptions will generally favour gas supplies that are, lower cost, or cannot be delivered to any other location than the United Kingdom. In this case the sensitivity analysis will focus on the potential for gas that can be delivered to interconnected markets to be delivered elsewhere.

5.1.3 Supply Ranking Assumptions

For each scenario a ranking order (or merit order) will be determined for use in the balancing of supply and demand where more supply is available than that required to meet demand.

The ranking order for a particular supply or supply type will include an assumption for the relative cost of supply, as well as incorporating other more qualitative analyses. The lowest cost and least volatile gas is likely to sit at the top of the ranking order (“base load supplies” that are assumed to flow) and the most expensive, fluctuating supplies are likely to sit at the bottom of the ranking order (“volatile supplies” that are considered to be more price sensitive supplies that are most likely to flow at high demand/price). In this respect, qualitative analysis is particularly important in an environment where there appears to be a marked difference between marginal costs of supply and wholesale gas prices.

Supply ranking will also be developed by incorporating information gathered through the TBE process and discussions with Developers/Shippers, for example for new supplies for which detailed cost information is unavailable or untested. Supply ranking may also incorporate observed behaviour from historic flow patterns.

5.1.4 Supply Balancing Assumptions

National Grid NTS will determine the supply balancing assumptions in line with the qualitative requirements of each generic supply scenario. These balancing assumptions will allow some supplies to increase above the Base Case forecast; some to decrease below the Base Case forecast in order to balance the increases and the remaining supplies will be fixed at the Base Case forecast.

Supply flow increases above the Base Case level generally start with supplies at the top of the ranking order and work down. Supply flow decreases below the Base Case level generally start at the bottom of the ranking order and work up.

5.1.5 Supply Range Assumptions

National Grid NTS will identify the plausible volatility for each existing supply. In determining the ranges, National Grid NTS will consider historic information on actual flows observed on the NTS for existing supplies. The maximum and minimum flow range for well established supply flows will be predicted by adding the observed volatility to the Base Case forecasts. This analysis will be supplemented by consideration of the trends at each entry point. For example, UKCS supplies are well established but the trend towards greater levels of depletion needs to be taken into account when forecasting future levels of gas supply.

Supply ranges will also be based on TBE information and discussions with Developers/Shippers where flow behaviour is anticipated to change from historical patterns, for example for new supplies or gas sources, or for supplies that are in decline.

5.2 Supply Scenario Updates

Supply scenarios will be reviewed and updated annually as an input to the investment planning process, and will reflect National Grid NTS's view on the range of flow patterns that may occur on the NTS over the ten-year planning horizon.

National Grid NTS may review supply scenarios or develop additional supply scenarios during the planning year, as a result of new information being made available that influences its view on the likely level and flow behaviour of a particular supply. For example, new information may result from discussions with Developers and Shippers, or on the planning consent status of third party developments associated with gas supplies to the NTS or as a result of information received through entry capacity auctions.

Chapter Six

Demand

6.1 Long Term Demand Scenarios

There are primarily two sources of demand information available to National Grid NTS when considering investment planning needs: the gas demand forecasts and information collected through the UNC TPD Section B and the UNC Offtake Arrangements Document (OAD) Section H processes. These are described further below.

6.2 Demand Forecasts

National Grid's gas demand forecasts will be developed using detailed analysis of demand drivers including (but not limited to) fuel prices and economic forecasts. Demands will be forecast by different market sectors, with forecasts produced for both annual gas demand and peak day gas demand.

Peak day forecasts are required under Special Condition A9 (Pipe-Line System Security Standards) of National Grid NTS's Licence to ensure that the network meets the security of supply standard. A 1-in-20 peak day forecast will be produced from statistical analysis of historic weather patterns that determines the demand level that is expected to be reached or exceeded on average once in every 20 years. Such a peak day demand level could be experienced on more than one day in a winter.

Load duration curves of annual gas demand will be produced from statistical analysis of historic data to determine the number of days each year on average that a demand level is reached or exceeded. Two curves will be produced for investment planning needs: a 1-in-50 load duration curve to reflect severe conditions that may be expected on each day of the gas year, and an average load duration curve to reflect average conditions that may be expected on each day of the gas year. National Grid NTS will normally use the average load duration curve to generate demand patterns for off-peak analysis, how specific analysis (for example for Constrained LNG requirements or determining interruption contract requirements) will require analysis using the severe load duration curve.

Sensitivities around the central demand forecast assumptions may also be considered in order to produce ranges of potential demand over the longer term.

The Ten Year Statement will describe the assumptions driving the gas demand forecast and the forecast data.

National Grid NTS's Demand Forecasting Methodology is published on National Grid's website and contains a detailed description of how statistical models are used to produce peak day forecasts and load duration curves.

6.3 Offtake Capacity Statements and Long Term Planning Information

The UNC requires National Grid NTS and the DNOs to share information to ensure their systems are planned in a coordinated manner.

The UNC TPD Section B describes the annual Offtake Capacity Statement (OCS) process, which National Grid NTS and DNOs use to agree peak day requirements for DNOs for NTS Offtake (Flat) Capacity, NTS Offtake (Flexibility) Capacity and Assured Offtake Pressures. The OCS process results in annual capacity bookings and pressure commitments that National Grid NTS is required to meet from the start of the next gas year and for four years into the future. DNOs also provide indicative bookings for a fifth year to signal possible future capacity and pressure requests.

The information provided under the UNC OCS process only covers five years of the ten year planning period. For plan years six to ten, National Grid NTS will adjust the OCS bookings using the forecast data developed through the demand forecast process (and published in the Ten Year Statement) to understand potential DNO bookings in the later years of the plan. These assumptions of demand growth are needed to ensure that any projects identified in the early years of the plan can be assessed against potential demand through the ten-year period.

The UNC OAD Section H describes the long term forecast data that is shared between National Grid NTS and the DNOs. Both parties are required to provide the other with their forecast of gas demand, although there is no obligation on either party to use the projections provided. National Grid NTS may use the information provided by DNOs as part of their UNC OAD Section H data to develop demand scenarios for off-peak analysis. For example the information may be used to determine demand distribution across Distribution Networks for analysis on different days of the severe and average load duration curves.

Chapter Seven

Entry Capacity

7.1 Long Term System Entry Capacity Auctions

National Grid NTS makes NTS entry capacity available in a series of auctions. Signals (bids) received from long term system entry capacity auctions (QSEC auctions) are used within the planning process to confirm the need for investment.

National Grid NTS must, under the terms of its Licence, prepare a proposal for releasing incremental obligated entry capacity and submit this proposal to the Authority for approval. In addition, the UNC requires that notification of entry capacity allocations to Shippers who have bid in the QSEC auction occurs within 2 months of the end of the auction invitation period.

National Grid NTS must therefore submit its proposal for incremental obligated entry capacity to the Authority within one month of the end of the auctions, in order that allocation may occur in line with the UNC requirements and decision period stipulated under the Licence for the incremental obligated entry capacity proposal.

In order to fulfil its obligations under both the Licence and the UNC within the required notice periods, National Grid NTS will undertake network analysis before the annual QSEC auctions. The basic steps that will be taken before and after the QSEC auctions are shown in Figure 1 and are described below:

7.2 Development of Supply and Demand Scenarios

Supply scenarios will be determined using the latest TBE forecast data as described above. Demand scenarios for entry capacity assessment will be centred on a Base Case view, but may be extended to include other demand scenarios to test demand sensitivities. Demand will be assessed at peak (1-in-20 conditions), and at average and severe conditions (as appropriate) through the load duration curve. Analysis will be undertaken for each relevant year of the ten-year planning horizon.

7.3 Network Capability Analysis for Entry Capacity

Network capability analysis will be undertaken to identify the capability of the NTS to support required flow patterns under the supply and demand scenarios developed from the TBE Base Case.

Entry projects identified from previous planning cycles will be reviewed to verify whether the projects sanctioned as part of previous plans are still required. In doing this, Licence requirements to release obligation capacity levels, commitments from capacity sold to Shippers in entry capacity auctions and commitments on exit for flat capacity, flexibility and pressures will be taken into account. National Grid NTS will also maintain a regular dialogue with Shippers, DNOs and Developers to ensure that information on the progression of their projects may also be used to inform National Grid NTS's investment decisions in a timely manner.

If it is found that sanctioned projects are not required as proposed through previous planning cycles (for example, due to changes in the underlying supply and demand forecasts, or as a result of new information provided to National Grid NTS by Shippers or new information made available in the public domain) then analysis will be carried out to determine which year the projects should now be completed for.

7.4 Investment Planning Analysis for Entry Capacity

Investment planning analysis will be undertaken where a shortfall, or bottle neck, is observed in the capability of the NTS to support the required flow patterns under the supply and demand patterns tested. Each supply and demand scenario may generate a number of investment projects for consideration as the supply patterns are varied away from the Base Case supply pattern.

An indicative Investment Plan will be determined by considering the investment projects required across the range of supply scenarios and for a range of demand scenarios, to develop a range of projects that best meets the anticipated flow patterns of the system, whilst paying due regard to National Grid NTS's wider obligations. These will include, but are not limited to, its obligations to develop the NTS in an economic and efficient manner and to maintain a safe and secure system. At this stage these investment projects should be only viewed as indicative and may be modified in the light of further detailed analysis and investigation. The supplementary analysis may also consider routing or siting difficulties arising from environmental, safety and wider societal impacts.

The indicative Investment Plan will be updated when the bids placed in the QSEC auction are available. If required, the Base Case is adjusted accordingly.

7.5 Analysis of Long Term System Entry Capacity Auction Signals

The QSEC auctions provide an important source of planning information on the levels of user commitment for baseline and incremental entry capacity. The indicative Investment Plan must be developed ahead of the QSEC auction, due to the amount of analysis required. The final Investment Plan for the annual planning cycle will be determined after auction signals have been analysed and potential projects have been reviewed.

Shippers can place entry capacity auction bids in accordance with the rules set out in the UNC. Once the auction information is received, National Grid NTS will apply the Incremental Entry Capacity Release (IECR) Methodology in line with its duties under the Licence to determine whether additional entry capacity should be made available at any entry point and the amount of incremental entry capacity that should be made available.

Under its Licence obligations, fixed lead times are available to National Grid NTS both for determination of how much capacity to allocate (including project identification) and for the design and build of the identified projects. The lead times are such that National Grid NTS will, where possible, carry out a certain amount of speculative analysis ahead of an auction to identify what investment could be required if an anticipated pattern of bids is subsequently received. This analysis may need to be modified if an unanticipated pattern of bids are received in an auction.

National Grid NTS is required to submit an incremental obligated entry capacity proposal to the Authority that describes how much incremental obligated entry capacity has been released as a result of applying its Incremental Entry Capacity Release Methodology and how much entry capacity may be substituted to meet the incremental obligated entry capacity requirement as a result of applying its Entry Capacity Substitution Methodology. For the avoidance of doubt, National Grid NTS will not undertake analysis for Entry Capacity Transfer and Trade processes as part of its planning cycle, as these are only applicable in the shorter term and so do not form part of the long term investment process. These processes are described in the Entry Capacity Transfer and Trade Methodology.

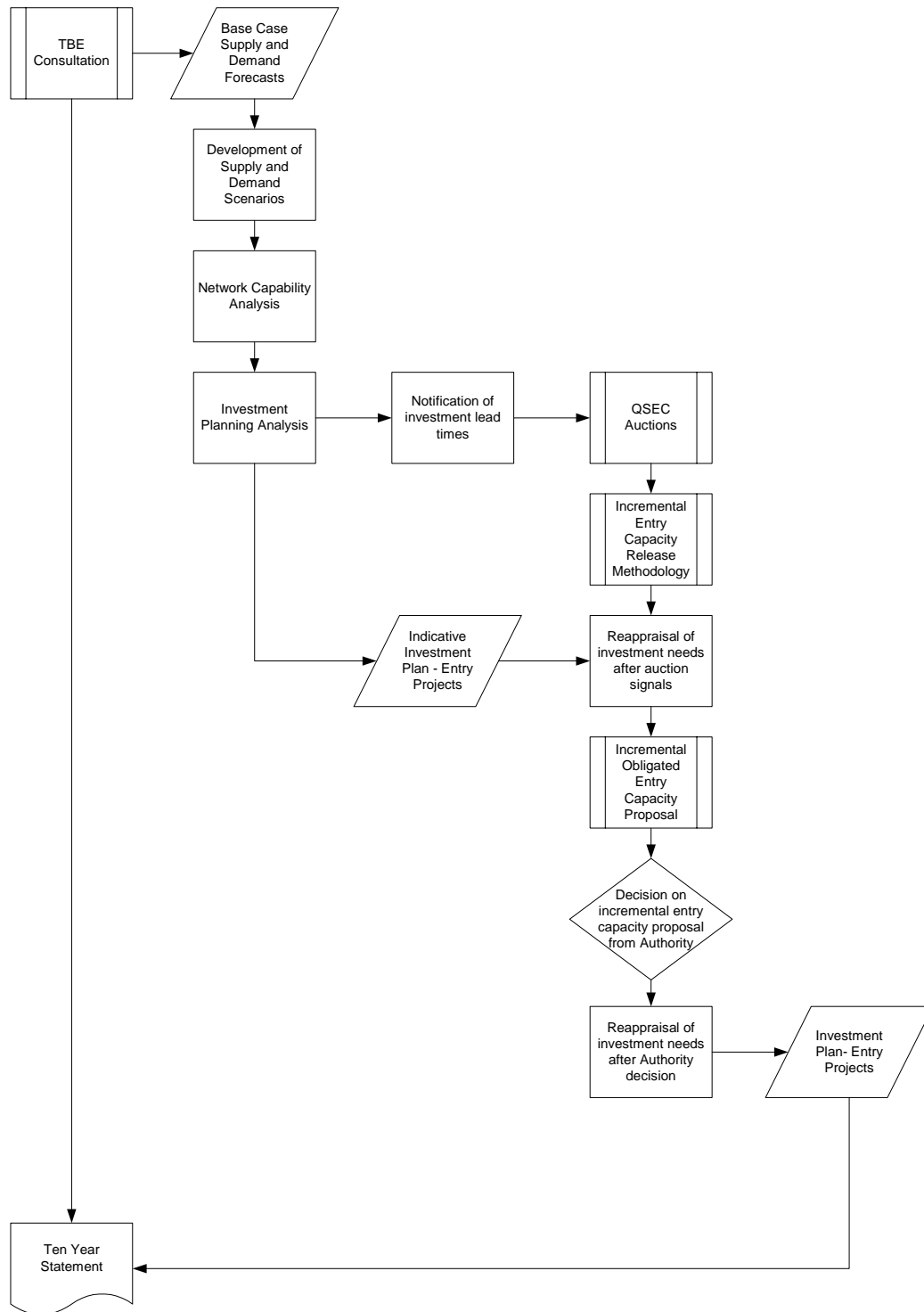
National Grid NTS will not proceed with projects identified to deliver incremental obligated entry capacity if any of the following cases apply:

1. Insufficient user commitment is signalled through the QSEC auction to justify the economic case for these projects.
2. The Authority determines that National Grid NTS should not implement the incremental obligated entry capacity proposal made by National Grid NTS under Special Condition C8D of its Licence.

National Grid NTS will re-evaluate projects identified to deliver incremental obligated entry capacity where the incremental entry obligated capacity proposal is modified in line with Special Condition C8D of its Licence.

National Grid NTS believes that such actions are consistent with its wider obligations to develop the NTS in an economic and efficient manner.

Figure 1: Entry capacity investment planning process



Chapter Eight

Exit Capacity

8.1 Long Term Exit Capacity Bookings

The processes used to book exit capacity differ from those used to book entry capacity. Two routes to booking long term exit capacity are currently in force⁴. DNOs book their capacity and pressure requirements long term through the OCS process describe in the UNC TPD Section B, and are required to provide financial user commitment for additional capacity bookings that would require specific reinforcement on the NTS over a given size by entering into an Advanced Reservation of Capacity Agreement (ARCA) with National Grid NTS.

Shippers may only secure additional exit capacity in the longer term if specific reinforcement is required on the NTS in order to release that capacity and the capacity booking is over a given threshold. Shippers or project Developers (where no Shipper has committed to the project) must provide financial user commitment to trigger such reinforcement by entering into an ARCA with National Grid NTS. Shippers requiring capacity levels that do not meet these criteria must register capacity in the shorter term.⁵

Further detail on the release of exit capacity on the NTS is given in National Grid NTS's Exit Capacity Release Methodology Statement, available on the National Grid website.

The exit process is described in Figure 2 and discussed in more detail below.

8.2 Development of Supply and Demand Scenarios

National Grid NTS will develop supply scenarios for assessing changes to exit capacity bookings that focus on local sensitivities to supply conditions that are known to exist on the NTS. For example, supply scenarios may be developed to explore the conditions on a part of the network when LNG importation or storage withdrawal is assumed, compared to the situation where LNG importation is not present and/or storage injection is required. Demand scenarios assessed may include a number of possible demand sensitivities at each level of demand analysed, for example:

1. Demand flows that occur in line with TBE Base Case for all exit points on the NTS
2. Demand flows that occur in line with DNO OCS bookings and TBE Base Case flows for directly connected NTS loads
3. Demand flows associated with storage sites and interconnector pipelines

⁴ Exit arrangements are currently under review, and therefore new processes may be introduced in the near future to allow users to book exit capacity. The regime described above is National Grid NTS's understanding of the current arrangements for exit capacity booking.

⁵ UNC modification proposals are currently being developed to revise the Shipper booking process in the transitional period.

4. Demand flows associated with large loads or loads located in sensitive areas of the network
5. Demand flows associated with interruptible loads directly connected to the NTS

The demand sensitivities will be developed according to the location of the exit capacity being assessed. DNO OCS requests include the latest assessment of interruptible load in their respective networks.

Demand will be assessed at peak (1-in-20 conditions), and at average and severe conditions through the load duration curve (as appropriate). Analysis will be undertaken for each relevant year of the ten-year planning horizon.

8.3 Network Capability Analysis for Exit Capacity

Network analysis will be undertaken during the OCS process to identify the existing capability of the NTS to accommodate changes in the NTS Offtake (Flat) Capacity requests made by DNOs. Further capability analysis may be undertaken from time to time as a result of enquiries made by customers to connect new loads to the NTS or increase existing loads on the system.

Exit projects identified from previous planning cycles will be reviewed to verify whether the projects sanctioned as part of previous plans are still required. National Grid NTS will also maintain a regular dialogue with Shippers, DNOs and Developers to ensure that information on the progression of their projects may also be used to inform National Grid NTS's investment decisions in a timely manner.

If it is found that sanctioned projects are not required as proposed through previous planning cycles (for example, due to changes in the underlying supply and demand forecasts, or as a result of new information provided to National Grid NTS by Shippers or new information made available in the public domain) then analysis will be carried out to determine which year the projects should now be completed for.

8.4 Investment Planning Analysis for Exit Capacity

Investment will be undertaken for increases in the NTS Offtake (Flat) Capacity bookings under the terms of the Exit Capacity Release Methodology Statement. Such increases may require a feasibility study to be initiated to assess possible options in order that the appropriate investment planning analysis may be undertaken. Investment will not be undertaken on the NTS for increases in NTS Offtake (Flexibility) Capacity or Assured Offtake Pressures.

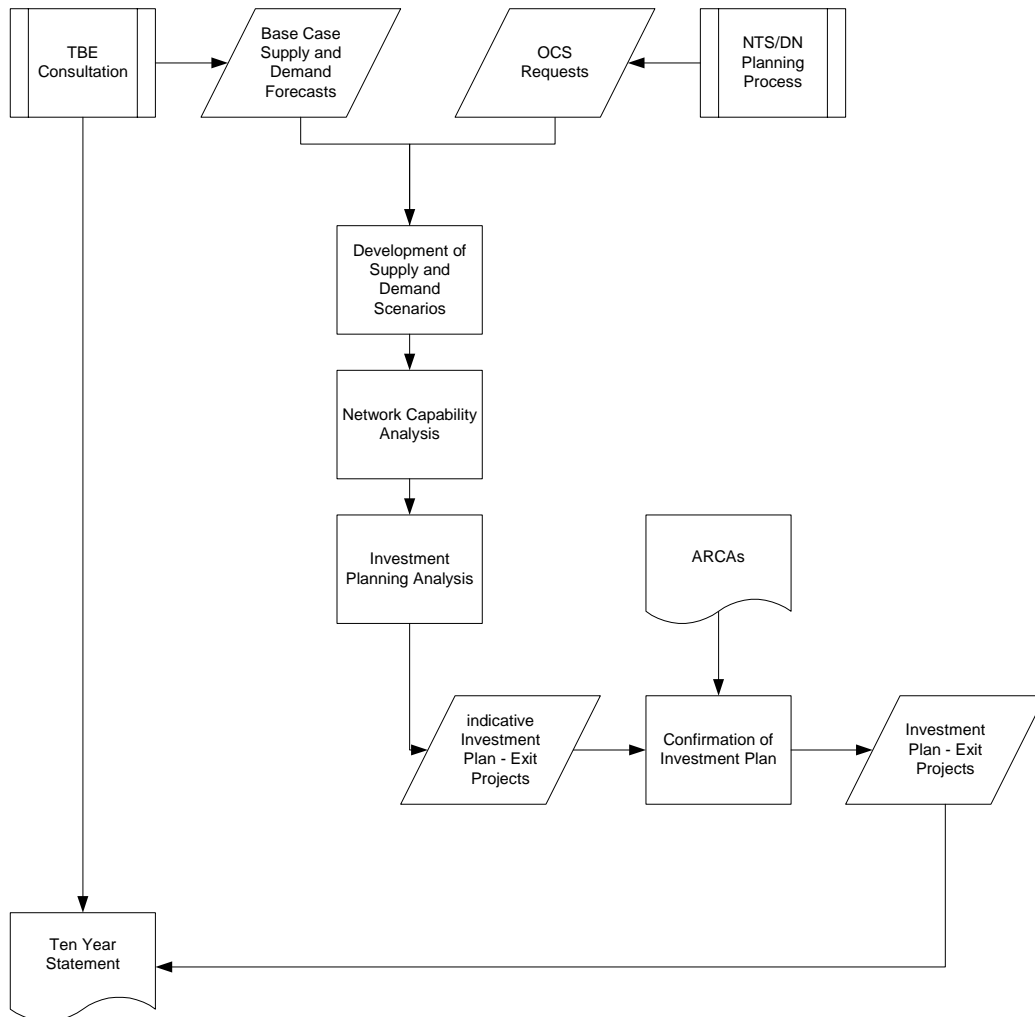
NTS Offtake (Flexibility) Capacity and requests for increases in Assured Offtake Pressures will be allocated to DNOs through the OCS process within the capability of the system.

National Grid NTS will assess requests for changes to NTS Offtake (Flat) Capacity first, followed by requests for changes to NTS Offtake (Flexibility) Capacity, followed by requests for changes in Assured Offtake Pressures. Off-peak data provided by DNOs under the UNC OAD Section H process will not be treated as a long term booking of NTS Offtake (Flat) Capacity or NTS Offtake (Flexibility) Capacity.

Parties that are directly connected to the NTS are required to register capacity in the short term under the process defined by the UNC TPD Section B. Increases in exit capacity may be requested in line with the Exit Capacity Release Methodology Statement.

Enquiries may be made at any time about potential increases in load, or new loads connecting to the NTS, although there may be a lead time before additional capacity can be made available. Information on new and existing loads will also be collected through the TBE process, so the annual planning cycle will include the best known information to National Grid NTS on directly connected NTS loads, including any previous enquiries made by Shippers or Developers. Any investment required as a result of load enquiries received by National Grid NTS will therefore be consolidated into the next or future planning cycles.

Figure 2: Exit capacity investment planning process



Chapter Nine

Network Analysis

9.1 Basis of Network Analysis Models

National Grid NTS will use network analysis software to undertake planning analysis. The software will allow the user to work with a detailed mathematical model of the NTS to understand the likely flows and pressures on the system under a given set of supply and demand assumptions. The user will be able to vary the parameters of the model, including the supply and demand data to understand the physical limitations of the network. New pipelines, compressors and regulators will be added to the model connecting to existing points on the model as required to overcome system constraints. The tool will then be used to analyse the enhanced network.

The network analysis undertaken for the NTS will be derived from a base network model known as the “Master Network”, which will contain the key elements of the NTS including pipes, valves, regulators and compressors. These components are the main elements to control and route the flow of gas through the system from supply points to offtakes.

The Master Network will be generated at the beginning of the annual planning cycle and will include all pipelines and plant planned for completion for the first winter in the ten-year planning horizon. The Master Network will be based on a network that is validated using actual operational data from a high demand day from the previous winter period in accordance with IGE/GL/2. The findings of the validation exercise will be included in the Master Network.

The Master Network will not contain any supply or demand information. The supply and demand data will be entered into the network for the scenarios requiring study. These models will be analysed until the network reaches a mathematical solution. Further analysis will then be undertaken as necessary to reconfigure and reinforce the system to ensure that the flow pattern may be supported within safe plant and pressure limits. All network models will be traceable back to the parent Master Network for that planning cycle.

9.2 Analysis Assumptions

On the NTS there are two critical times during the gas day for analysis, the times associated with maximum and minimum linepack (gas stock) in the system.

Maximum linepack is usually available around the start of the gas day at 0600 hours. This linepack can then be used over the day to meet diurnal fluctuations in demand and typically reaches a minimum at 2200 hours. The 0600 and 2200 times will be used for planning purposes although maximum and minimum linepack conditions actually observed on a gas day can vary around these times, depending on the prevailing flow patterns within the system.

These conditions may be modelled individually through steady state analysis or concurrently using transient analysis with suitable demand profiles.

9.3 Steady State Analysis

It is usual practice for long term planning analysis (undertaken more than a year ahead of the gas day) to carry out steady state network analysis as this gives a good approximation of the likely network conditions, is quicker than transient analysis and is as appropriate once forecasting uncertainties are accounted for by the design margin. Steady state analysis assumes that flows are not profiled across the gas day, and so can be used to identify the transmission capability of the system.

A steady state network with linepack maximised may be used to represent the start of day condition (0600) and a network with linepack minimised may be used to represent the minimum stock condition (2200).

Where reinforcement projects have been identified using steady state, transient modelling may be considered in order to further investigate and refine the potential solutions.

9.4 Transient Analysis

Transient analysis models the changes that may be seen within a gas day. Flow profiles for supplies and demands can be entered, along with changes in operating setpoints for compressors and regulators to understand variations in pressure, flow and linepack across the system across the day.

Transient networks used for network capability analysis and investment planning analysis will be analysed and solved to ensure that minimum pressures at 0600 and 2200 are not breached, and the total NTS linepack levels are maintained to ensure linepack balance across the day.

9.5 Design Margin

A design margin (also referred to as a “flow margin”) will be applied to pipe flows within the network model to account for uncertainties that arise when undertaking network analysis far ahead of the gas flow day.

The use of a flow margin for design purposes is described in National Grid’s Safety Case for the NTS (Section 17 - Adequate Network Pressure)⁶, which states:

“17.7 In the process of Network Analysis an allowance needs to be made for variances in gas flow from the assumptions made in the base case design. This is referred to as the “flow margin”. The flow margin exists to provide a margin of cover for a list of effects or events wherein the actual flows and pressures on the NTS will differ from those in the base case design. This margin takes the form of a percentage increase in flows used for network analysis. There are two elements to the flow margin:

- 1. A Transient Component*
- 2. A Transmission Capacity Component*

⁶ National Grid Gas, Gas Transporter Safety Case (Gas Transmission) v6 March 2008

Transient Component

17.8 *This element encompasses compressor trips, forecasting errors, suppliers' alerts, producer variation and operational state changes. These are outlined as follows:*

- *Compressor trips - when a compressor trips downstream pressures fall and time is needed to bring on another compressor or LNG to maintain supplies.*
- *Forecasting errors - there is a time delay between distribution systems taking increased rates from the NTS and additional supplies being provided from beach or storage.*
- *Suppliers' alerts - when there is an offshore alert, additional time is also needed to bring on replacement supplies.*
- *Producer variation - the rates at which producers deliver gas, can vary from the assumed steady 24-hour flat rate.*
- *Operational state - as demand changes from day to day the configurations used within the network need to change to meet the new flow pattern.*

17.9 *All of the above refer to a time element, which results in a need for linepack to provide the flexibility to respond to the changes. The margin used to cover these transient elements is 2.5%.*

Transmission Capacity Component

17.10 *Typically on the NTS it takes at least three years from the launch of a project to it's commissioning. Therefore, the project will be based on predictions of supply and demand three years ahead. In the interim period the actual pattern of supplies and demands will develop and will differ from the assumptions made at the project launch. An analysis has been carried out on the costs of failure on the NTS against costs of installing additional transmission capacity such that the NTS would fail in just 25% of 1 in 50 winters. The value for the corresponding flow margin is 2.5%.*

17.11 *The overall flow margin is obtained by adding the transient and transmission capacity component together to arrive at a figure of 5%."*

The 5% flow margin value quoted in the Safety Case is derived from a research study in 1986, which considered only the margin required for steady state analysis assuming peak and severe conditions (transient analysis was not used for long term planning at this time). The Safety Case does not explicitly specify the requirements for off-peak analysis assuming demand conditions derived from the average load duration curve.

A review of the flow margin in 2000 showed that there was no basis for changing the flow margin from 5%, although the transient component was shown to be more significant due to changes in the UK gas market between 1986 and 2000. Since 2000 there has been an increasing need to undertake both steady state analysis under demand conditions derived from the average load duration curve as well as transient analysis for long term planning.

For transient analysis there is no requirement for the transient component of the design margin, however the transmission component of the design margin is still required for long term transient analysis to account for uncertainties in forecast supplies and demands.

The flow margin values for analysis of average conditions and transient analysis are therefore reduced from the 5% value used for 1-in-20 and severe conditions, in line with the findings of the review undertaken in 2000 to place more weight on the transient component.

No design margin is used for any operational analysis (i.e. transient analysis undertaken for the short term using demand conditions derived from the average load duration curve, prevailing conditions or short term forecasts) to ensure the full capability of the pipeline is modelled.

The values of the design margin (flow margin) that will be applied in network analysis for the NTS are given in Table 1 below, alongside the implied transient and transmission component values.

Table 1: Flow margin values

Analysis type	Demand Condition	Transmission component	Transient component	Total
Steady state	1-in-20 peak day	2%	3%	5%
	Severe load duration curve day	2%	3%	5%
	Average load duration curve day	0%	3%	3%
Transient	1-in-20 peak day	2%	0%	2%
	Severe load duration curve day	2%	0%	2%
	Average load duration curve day	0%	0%	0%

National Grid NTS shall, from time to time, undertake reviews to validate the design margin. Future changes to the design margin will be agreed with the HSE and implemented through revisions to the Transmission Planning Code.

9.6 Supply Flows

Supply flows are required data for the network analysis models, and will be derived for the supply scenario that is being considered.

It is necessary to allow for a quantity of gas to be included with the total supply flow for fuel gas used at compressor stations. This gas will be assumed to be delivered from the largest entry points on the system, and will be determined by the network analysis software based on the operation of compressors within the model.

9.7 Demand Flows

Demand flows are required data for the network analysis models, and will be derived for the demand scenario that is being considered.

Interruptible demands that are directly connected to the NTS will be modelled as not consuming gas under peak day conditions. In order to model the effects of different interruption contracts, different high load conditions may be assumed when assessing contracts for individual loads. For a standard 45-day interruption contract these high load conditions will be derived from Demand Day 46 on the severe load duration curve.

Distribution Networks include their interruption assumptions within their offtake capacity requests as part of the OCS process.

9.8 Storage and Interconnector Flows

Storage sites and interconnectors will be modelled depending on their assumed behaviour within the supply and demand scenarios being modelled.

Storage sites and interconnectors will normally be modelled as supplies under high demand scenarios or when gas prices are high, unless the supply scenario used dictates otherwise.

Such flows may need to be modelled as demands on the system under certain conditions, for example in the summer months or when gas prices are relatively low, or for contractual reasons (for example where contractual storage re-filling/emptying cycles are observed).

It is also possible that these sites do not flow under certain supply or demand scenarios.

9.9 Ramp Rates

Rapid load changes imposed on the pipeline system caused by entry and/or exit flowrates during a gas day can cause "abnormal" operating conditions which may have a deleterious impact on compressors and existing points of offtake or could affect the safety and security of the of the NTS. These would normally occur during transient conditions, such as during start-up or during shutdown operating scenarios, when flow fluctuations are at their greatest. The standard ramp rate offered is currently 50 MW/min.

National Grid NTS will consider the impact of ramp rates requested above the prevailing standard ramp rate in order to maintain the safety and integrity of the system. This may require additional studies to be undertaken to consider the operating scenarios proposed

(e.g. rapid load changes, emergency shut down events etc.) at the cost of the party making the request.

The agreed limits for ramp rates are incorporated within the relevant entry, exit or storage contracts⁷ made with the operator of the connected facility before gas flow can commence.

Due to the interrelationship between some third party facilities and the NTS, the third party may have to demonstrate to National Grid NTS that the facilities and operating strategies proposed do not have a detrimental effect on the NTS.

9.10 Maximum Entry and Exit Flows

The physical capability of installations connected to the system (for example, reception terminals and offtake installations) may impose limits on the maximum flows that can be attained at an NTS entry or exit point. For example, these limitations may arise from site pipework configurations or pipework capacity constraints (where unacceptable pressure drops or excessive gas velocities would otherwise be observed through the pipework). National Grid NTS will observe the maximum flow limits imposed by such physical limitations at entry and exit points in the analysis it undertakes.

9.11 Standard Volumetric Flows

The volume of any gas varies with temperature, pressure and molecular composition and is usually quoted in relation to reference conditions. Metric standard conditions for a gas assume a temperature of 15°C, pressure of 1.01325 bar and dry gas⁸ and are used to describe “standard volumes” of a gas.

The hydraulic models within the network analysis software used by National Grid NTS express flows as *standard volumetric flows* (mscmd) whereas commercial flows are usually described in energy terms (GWh/day or kWh/day).

Supply and demand flows will be supplied to the network analysis models as standard volumetric flows assuming a standard Calorific Value (CV), which is equivalent to an energy flow in GWh/day. The network analysis software will use CV data entered at supplies to calculate CVs throughout the network, including demands. This allows the program to convert the demand flow data entered by the user to standard volumetric flows required with the hydraulic models. These assumptions will be used to ensure that energy flows used for commercial purposes (e.g. obligated entry and exit capacity levels) can be consistently and correctly applied within the network analysis models

The standard CV will be set at 39 MJ/m³, which approximates to the average CV of the gas in the system. Flows quoted using different CV assumptions will be converted to standard volumetric flows at the standard CV before input to the network analysis models to provide a consistent basis for the analysis.

⁷ Network Entry Agreements, Network Exit Agreements or Storage Connection Agreements

⁸ Gas that does not contain significant levels of water vapour, condensate or liquid hydrocarbons.

9.12 Entry and Exit Pressures

Pipelines and plant are designed to operate within certain pressure ranges for safety and design reasons. Network capability depends not only on the supply and demand patterns and levels within the network, but also the maximum and minimum pressure limits that must be observed to remain within design limits to ensure safe operation of the network.

Maximum pressure limits will be observed at entry points and within the system. They arise at points where gas may flow from a system that is operated to a higher pressure limit.

Minimum pressure limits will also be observed at exit points and are required for supporting downstream systems or loads. Some points of offtake require a higher pressure at 0600 and/or 2200 depending on the requirements of their downstream systems. These can be Assured Offtake Pressures (AOPs) for a Distribution Network Operator, and Anticipated Normal Operating Pressures (ANOPs) or other contractually agreed pressures for other customers directly connected to the NTS.

The gas pressure that can be supported at a point of offtake may be affected by any of the following:

1. The presence of other significant loads in the vicinity
2. The location of terminals that may turn down significantly (or be shut down) at off peak periods
3. The location of compressors and their likely operation throughout the year
4. The presence of storage facilities in the vicinity
5. System configurations that may change throughout the year
6. The effects on agreed Assured Offtake Pressures and NTS Offtake (Flexibility) Capacity
7. The effects of maintenance on plant in the vicinity
8. Pipeline maintenance, inspection, remedial work and modification activities in the area

Exit points at extremities of the NTS are likely to experience the lowest pressures on the system.

Network analysis undertaken to determine network capability will model the system to observe the maximum and minimum pressure limits. Where the analysis shows that a pressure cannot be maintained, the supply/demand scenario under analysis will be deemed to indicate a "failed" network. Network capability will be deemed to have been reached at the point where maximum pressures and/or minimum pressures on the network can only just be sustained within operational tolerances. The resulting network is also known as a "constrained" network.

The following pressure limits will be observed within the analysis:

- Maximum Operating Pressures (MOPs) for pipelines, compressors and entry terminals
- Assured Offtake Pressures at exit points
- Anticipated Normal Operating Pressures at exit points

- Minimum contractual pressures within Ancillary Agreements at exit points

9.12.1 Maximum Operating Pressures

IGE/TD/1: Edition 4 states, “The sustained operating pressure for a pipeline system should not exceed Maximum Operating Pressure (MOP)”. These guidelines recognise that excursions above this level may occur, due to the variations of pressure regulating devices and instruments used to monitor pressures. Information on such excursions is included within the Major Hazard Safety Performance Indicators reported to the HSE each year. Control pressures used for network analysis models will be set marginally below the MOP of the pipeline, compressor or entry terminal to be consistent with the operational setpoints used on pressure protection devices.

9.12.2 Assured Offtake Pressures

The Assured Offtake Pressure (AOP) requirements for each offtake to a distribution network will be modelled as minimum design pressures on the system at these points. Assured Offtake Pressures will be agreed between the NTS and DNOs as part of the annual Offtake Capacity Statement process, described in the UNC TPD Section B. DNOs may request a change in an AOP under this process; however National Grid NTS are not obliged to accept a request for an increase in pressure at an offtake.

Pressure requests will be subject to inspection and targeted analysis where it is deemed to be appropriate. Incremental pressure requests will be rejected wherever it is assessed that they:

1. Are unsustainable with planned and actual infrastructure
2. Require investments to be brought forward in the investment plan
3. Increase operational costs (particularly compression costs)
4. Increase volumes of Constrained LNG required to support high load conditions
5. Reduce capability at NTS entry points
6. Reduce available system flexibility capacity
7. Impact on other offtake points in the areas

A range of supply and demand scenarios may be used in this assessment.

9.12.3 Anticipated Normal Operating Pressures

There are a number of Anticipated Normal Operating Pressures (ANOPs), which form part of the Network Exit Agreement (NExA) for large consumers. These pressures may only be changed after giving the Customer 36 months notice.

ANOPs are governed by the UNC TPD Section J, which allows a Shipper to request a specified pressure higher than the 25 bar(g) generally applicable to directly connected NTS loads. The ANOP is the lowest pressure at which National Grid NTS expects, under normal operating conditions, a given quantity of gas will be available for offtake at a given exit point.

All ANOPs will be modelled as minimum pressures for the first three years of the ten year planning horizon. From the fourth year of analysis onwards⁹, if an ANOP cannot be maintained under any scenario considered, National Grid NTS will give notice to the Customer for a reduction in the ANOP, under the terms of the relevant NExA agreement.

9.12.4 Contractual Exit Pressures

A Shipper may request that National Grid NTS enters into an Ancillary Agreement in order to meet a required pressure. Such an Ancillary Agreement may require the Shipper to fund the additional costs incurred by National Grid NTS in order to guarantee the pressure, which will then be made available under all operating conditions in accordance with the agreement. Examples of such costs are reinforcement costs or additional compression required to support the contracted pressure.

9.13 Compressors

Gas compressors are the key plant items used to “pump” gas through the NTS. They are also used to boost system pressures to support exit pressure commitments.

Compressor performance characteristics are basically defined by four curves relating to maximum speed, minimum speed, surge and choke. The four curves determine the operational envelope for the compressor. The compressor may operate safely within this envelope, however, different process efficiencies are observed at different points within the envelope, which affect the fuel used to compress gas passing through the compressor. The envelope and efficiency characteristics will vary between compressor units.

Where the network analysis models show that compressors must operate outside its envelope to achieve a particular flow and discharge pressure, and where reconfiguring the network does not remove this problem, it is possible that a compressor re-wheel or upgrade is required to ensure that the compressor may be safely operated.

Compressors may be operated under a number of different control mechanisms, for example, to achieve a target suction pressure, discharge pressure, or flow.

Limiting factors in compressor performance are related to the safe operation of the compressor train itself and include the maximum or minimum speed attainable from the gas generator or electric drive used to power the compressor, the minimum gas flows that may be safely permitted through the compressor, the maximum power available from the drive unit to turn the compressor, and the maximum discharge temperatures that may be reached on the outlet of the compressor station. Boundary control systems used to protect downstream pipelines from over-pressurisation may also limit the compressor station.

Compressor sites are usually designed with at least a one unit redundancy for standby purposes to ensure security of supply.

The network analysis software used by National Grid NTS will allow detailed modelling of compressor envelopes, control mechanisms, limiting factors and compressor fuel usage.

⁹ This timeframe is used to allow for the 36 month notice period for changing ANOPs

9.13.1 Minimum and Maximum Speeds

The physical capability of compressors is related to the maximum and minimum speed of the associated power turbine/compressor speed. This means that compressor units require a certain flow to be achieved before they can be used to compress gas.

The requirement to limit compressors to operate within the minimum and maximum speed limits imposed by the compressor envelope may constrain network capability.

9.13.2 Minimum and Maximum Flows

In addition to the minimum flow required to turn a compressor on to compress gas, compressors must be operated to ensure that they do not operate under surge conditions (where there is a high compression ratio relative to the flow) as this can damage the compressor.

High flows through the compressor can result in it operating under choke conditions, where high flows are achieved, at a relatively low compression ratio. Choke conditions do not always constrain compressor operation, but could indicate inefficient operation. High flows at or near the maximum speed for the compressor can lead to mechanical problems.

The requirement to limit compressors to operate within the surge and choke limits imposed by the compressor envelope may constrain network capability.

9.13.3 Maximum Power

The maximum power available from a gas driven compressor unit is dependent on various factors including ambient inlet air temperature. Generally, the colder the air temperature, the more power that can be derived to compress gas. The maximum available power therefore varies throughout the year, and is lower for summer conditions than for winter conditions. The maximum power available from an electrically driven compressor unit is not dependent on ambient air temperatures.

The maximum power that will be used within network analysis models is the base power level that may be achieved under normal operating conditions. Marginal increases in power (peak power) can be attained for very short periods of operation for certain types of gas generator however this can have an adverse effect on compressor performance and design life. Peak power levels will not normally be used within investment planning analysis if this becomes a long term requirement as it is more efficient and economic to upgrade the compressor station. In any case, peak power will not be used in off-peak analysis.

The network analysis undertaken for the NTS will consider the limiting effect of seasonal variations in temperature on power available at gas driven compressor units by relating available power to total NTS demand at different points on the load duration curves. This may constrain network capability, especially at lower demand conditions.

9.13.4 Discharge Temperatures

Compressor station discharge temperatures are generally limited to between 45°C and 50°C (depending on the downstream pipeline specifications) as otherwise damage can be caused

to some downstream pipeline coatings. Where consistently high temperatures are seen on the outlet of a compressor, aftercoolers may be used to reduce the gas temperature to acceptable levels and improve downstream transmission capability by virtue of a lower temperature. Where aftercoolers are not present, network capability may be constrained due to the requirement to operate to safe temperature limits.

9.13.5 Suction and Discharge Pressures

Due to gas flow characteristics and the relationship between pressure, velocity and the associated pressure losses caused by friction, it is generally more efficient to utilise the furthest upstream compressors towards their maximum discharge pressures in the first instance to minimise pressure losses and fuel consumption. Compressors near large entry points may be controlled on a suction pressure setpoint to enable high flows from these entry points to be accommodated. However, downstream conditions including demand levels and distribution have a key effect on the ability to use compressors effectively.

National Grid NTS will seek to maximise the use of compression by operating compressors towards their maximum discharge design pressures or minimum suction design pressures when undertaking network analysis, subject to other constraining factors such as emissions levels, discharge temperatures, efficient fuel usage and operation within compressor performance envelopes.

9.13.6 Station Configuration

Compressor stations across the NTS are designed to meet the anticipated range of flow conditions. Some sites may be used for high demand conditions only, whereas other stations are equipped to allow a variety of different units to be used in parallel and/or in series configuration to achieve different pressure/flow characteristics.

National Grid NTS will ensure that compressors configurations are used effectively within network analysis models, considering the range of configurations that may be used to accommodate flow patterns on the system to maximise the capability of the system, subject to other constraining factors such as emissions levels, discharge temperatures, efficient fuel usage and operation within compressor performance envelopes.

9.13.7 Emissions

National Grid NTS is responsible for ensuring its compressor fleet meets legislative requirements relating to emissions under the IPPC and EU ETS Directives. Different gas compressor units used on the NTS may have different emissions levels when they are operated. Emissions levels can change across the compressor performance envelope. In general, older machines may have higher emissions than more recently installed units. The network analysis undertaken to model the NTS will consider the appropriate priority for using compressor units to ensure that emissions levels are minimised wherever possible. Electrically driven units do not contribute to site emissions (emissions from these are already accounted for in the power generation sector).

In particular, the total number of running hours agreed with the environmental agencies will be observed for sites with high emissions levels, when undertaking investment planning

analysis. Additional investment to reduce emissions levels from sites may be required alongside any reinforcement projects identified to support changes in supplies or demands.

9.14 Regulators

Regulators are used to control and direct the gas flows in the system using either pressure or flow control and may be bypassed when not required. They are also used as pressure protection devices. Regulators induce a pressure drop when they are used to control flows or pressures, and may be limited to a maximum design flow or pressure drop which is modelled in the analysis. A zero pressure drop is assumed where a regulator is bypassed.

National Grid NTS will ensure that regulators are used effectively within network analysis models, in conjunction with compressor and multijunction configurations to maximise the capability of the system. The configurations used will be subject to other constraining factors such as compressor emissions levels, discharge temperatures, efficient fuel usage and operation within compressor performance envelopes.

9.15 Multi-junctions

Multi-junctions are complex arrangements of pipework, valves, regulators and other plant that are used to interconnect pipeline systems and control the flow of gas through the main pipelines in the NTS. Multi-junctions can be located close to compressor stations, and so there is a close interaction between the configurations used at these sites.

The configuration of multi-junctions can have a considerable effect on the network capability and the distribution of gas quality achieved across a distribution network.

National Grid NTS will ensure that different operational configurations at multi-junctions are used effectively within the network analysis models, to maximise the capability of the system, subject to other constraining factors such as emissions levels, discharge temperatures, efficient compressor operation and CV shrinkage levels.

9.16 Gas Quality and Temperatures

Gas quality and temperature effects will be modelled using the network analysis software to ensure accuracy and to monitor their effect on the pressure and flows calculated within the network. The effect of pipeline altitude above sea level on gas pressure within the pipeline will also be modelled.

Temperature effects modelled will include the effect of heat losses through pipe walls to the surround ground, cooling as gas travels through regulators and aftercoolers, and heating as gas travels through a compressor. The effect of changes in ambient air temperature on the operation of compressors and aftercoolers will also be modelled.

National Grid NTS will use estimated gas quality and temperature values for supplies as inputs to the network analysis models, to allow tracking of gas quality and temperature values as gas flows through the network. Estimated values will be derived from data provided by producers and Shippers, as well as historically observed values.

In order that consistent CVs are used for planning across the NTS and Distribution Networks, estimated CVs will be provided to the DNOs ahead of the annual OCS process. The CV assumptions quoted by DNs in their OCS and UNC OAD Section H data will be used to convert demand information to standard volumetric flows at a standard CV.

9.16.1 Wobbe index

The Wobbe index for any gas taken from the NTS must not be less than 47.2 MJ/m³ and not greater than 51.41 MJ/m³ under normal circumstances as described in the Gas Safety (Management) Regulations (GSMR). If a lower Wobbe index is observed at offtakes during the analysis, the network may be reconfigured to bring the impacted offtakes back into specification. It should be noted that this may constrain network capability.

9.16.2 Flow Weighted Average Calorific Value

Where the CV at an offtake is calculated as more than +/- 1 MJ/m³ compared to the Flow Weighted Average across a Local Distribution Zone within a Distribution Network, there may be an impact upon shrinkage and unbilled energy.

Where this occurs, the network may be reconfigured to bring the impacted offtakes back into specification. It should be noted that this may constrain network capability.

9.17 Reinforcement Projects

This section lists the common reinforcement projects that may be identified through the investment planning analysis undertaken for the NTS.

The reinforcements identified at this stage should be viewed as indicative projects, which may be modified after further detailed analysis to consider the feasibility and long term viability of the particular project. This may identify issues with routeing or siting arising from environmental, safety and wider societal impacts that mean the project is not progressed through to the construction phase.

9.17.1 Compressor re-wheels

When network analysis results indicate that compressor units continually breach their operating envelope (but are operating within the power limits of the gas or electric drive), it may be determined that the unit(s) on the compressor station are physically incapable of producing the required pressure and flow characteristics if reconfiguring the network cannot resolve the breach. In such a case, a re-wheel (redesign of the compressor performance characteristics) may be required.

9.17.2 Compressor flow reversal

Where new entry points change the direction of flow in an area, reversal of a compressor site flow configuration may be required. Although some sites have been designed to allow flexibility of configuration, others may require redesign to allow the compressor to “pump” in the opposite direction.

9.17.3 Regulators

A regulator project may be identified for either pressure protection as a result of an uprating project or to allow a new network configuration (to allow flows to be controlled in a different way). Regulators may also need to be resized to allow for higher flows, or redesigned to allow flow in either direction.

9.17.4 Aftercoolers

Compressor station discharge temperatures are limited to between 45°C and 50°C as above this temperature damage is caused to downstream pipeline coatings. If discharge temperatures constrain compressor operation, it may be necessary to fit an aftercooler, which reduces the temperature of the gas leaving the compressor station. This may also improve the downstream pipeline transmission capability. However, aftercoolers induce a pressure drop and require energy (normally electricity) to operate them, so the overall efficiency of the compression process and contribution to shrinkage must also be taken into account.

9.17.5 Uprating

It may be possible to add additional capability in the system by identifying uprating projects to test and re-certify pipelines and associated plant to increase their Maximum Operating Pressure (MOP) level. The ability to uprate a pipeline depends on factors such as the construction of the pipeline, testing level and the pipeline materials minimum specified yield strength. For this reason, pipeline uprating is not suitable for all NTS pipelines. Pipeline uprating may need to be undertaken in conjunction with other projects such as compressor up-rating and/or re-wheels. It may be affected by safety issues such as proximity to dwellings.

9.17.6 New Compressor Stations or Units

Where network capability is limited by available compression power and/or maximum or minimum system pressures it is sometimes possible to add further compressor units or develop new stations for areas of the network requiring increased compression.

9.17.7 Pipeline Reinforcement

Where network capability is limited by maximum or minimum system pressures, pipelines may be duplicated (or triplicated) to reduce the pressure drops that are induced by gas flows. The network may also be reinforced by introducing additional pipelines to provide greater interconnection across the system and provide alternative routes for gas to flow from entry to exit points. An example of such an interconnection is the Trans-Pennine pipeline that links the East Coast and West Coast NTS pipelines.

9.18 Optimal Reinforcement

It is possible that there are a number of reinforcement options identified to increase network capability. A check list is given below, which will be used as guidance in ensuring that alternatives are examined, although this is not an exhaustive list of possible options. Further analysis will be required to identify any environmental, safety or societal impacts that arise as a result of identifying the most economic and efficient overall reinforcement strategy.

Project	Alternative Project	Considerations
Compressor Re-wheel	Upstream pipeline	Consider options for pipe diameters and lengths to obtain most economic solution overall.
Regulator	Upgrade upstream or downstream compressor	Consider compression ratio and discharge temperature requirements to ensure compressors are able to operate within design limits
New or Upgraded Compressor (including the provision of aftercoolers)	Upstream pipeline	Consider options for pipe diameters and lengths to obtain most economic solution overall.
	Upgrade upstream compressor and/or pipeline	Consider effect on compressor power requirement to ensure upgrading is feasible within design limits.
Pipeline Reinforcement	Upgrade downstream compressor	Consider compression ratio and discharge temperature requirements to ensure compressors are able to operate within design limits
	Upgrade upstream compressor and/or pipeline	Consider effect on compressor power requirement to ensure upgrading is feasible within design limits
	Compressor flow reversal	Consider whether an existing compressor may be used to flow in a different direction or configuration

9.19 Alternatives to Investment Projects

The following options not requiring capital expenditure will be considered alongside the indicative investment projects identified:

1. Network reconfiguration
2. Compressor utilisation
3. Constrained LNG
4. Pressure sensitivities
5. Commercial capacity management agreements

Each of these options will be evaluated with due consideration being given to National Grid NTS's wider obligations to ensure that the NTS is able to support 1-in-20 peak demand conditions and to develop the NTS in an economic and efficient way.

9.19.1 Network reconfiguration

Reinforcements identified during the development of the Investment Plan in any gas year being modelled may be found to be unnecessary if alternative network configurations are used. However this may also have undesirable effects such as increasing the anticipated levels of CV shrinkage that may be experienced on the system, increasing compression costs or emissions levels, or having an impact on reinforcements required for later years of the plan. Such impacts will be assessed before consideration is given to rejecting the reinforcement project.

9.19.2 Compressor utilisation

It may be possible to utilise compressor units normally reserved for standby or operate units at peak power levels for short periods to avoid reinforcement. These approaches are not without risks, affect maintenance costs and asset life, and would only be considered in exceptional circumstances where other options are limited or not available.

9.19.3 Constrained LNG

Constrained LNG facilities are situated on the parts of the NTS most remote from the beach terminals. Constrained LNG is used to support the system in the case of demand changes in the shorter term, where investment lead times prevent immediate system reinforcement. In some cases, use of Constrained LNG may be offset against additional investment on the system both for maintaining end pressures and deferring projects on the upstream systems.

The use of LNG storage to save on pipeline investment is also known as transmission support. Shippers who book the Constrained Service from LNG storage facilities, agree to provide transmission support gas to National Grid NTS on days of very high demand. They also agree to retain a minimum inventory level of gas in store so that transmission support gas is available all winter. In recognition of these transmission support obligations,

customers of the Constrained Service receive a transportation credit from National Grid NTS, which reflects the saved investment in the pipeline system.

There is a requirement to identify the Constrained LNG rates and duration required in the early years of the plan for booking purposes. To determine the duration of Constrained LNG use for a particular site, analysis will be undertaken for various days between peak and the derived day of first likely use. The analysis will consider demand conditions derived from the severe load duration curve.

9.19.4 Pressure sensitivities

It may be possible to defer or avoid investment if Anticipated Normal Operating Pressures at exit are reduced in line with the 36 month notice period that must be given to customers. National Grid NTS is obliged to maintain all prevailing Assured Offtake Pressures agreed through the OCS process and all contractual pressures determined by Ancillary Agreements. National Grid NTS cannot formally request permanent reductions in offtake pressures from DNOs under the current OCS process.

9.19.5 Capacity management

Investment projects may be deferred or avoided if National Grid NTS enters into capacity management agreements to manage the financial risks arising from capacity buyback at entry or exit points (in accordance with UNC and Licence mechanisms to manage capacity buyback). Further risk analysis will be required to determine if this is a viable option.

Appendix A

Glossary

Advanced Reservation of Capacity Agreement (ARCA)

An agreement between National Grid NTS and Shippers relating to future NTS pipeline capacity for large sites in order that Shippers or Developers can reserve NTS Exit Capacity in the longer term.

Aftercooler

A device fitted on a compressor station that cools the gas after the compression process, in order that the gas temperature may be maintained within safe limits for the downstream pipeline.

Assured Offtake Pressure (AOP)

A minimum pressure at an offtake from the NTS to a DN that is required to support the downstream network. AOPs are agreed and revised through the annual OCS process.

Anticipated Normal Operating Pressure (ANOP)

A pressure that National Grid NTS may make available at an offtake to a large consumer connected to the NTS under normal operating conditions. ANOPs are specified within the NExA agreement for the site.

Base Case

The long term supply and demand forecast produced during the TBE consultation process.

Bar

The unit of pressure that is approximately equal to atmospheric pressure (0.987 standard atmospheres). Where the unit of bar is suffixed with the letter g, such as in bar(g), the pressure being referred to is gauge pressure, i.e. pressure relative to atmospheric pressure.

BERR

Department for Business, Enterprise and Regulatory Reform

Calorific Value (CV)

The ratio of energy to volume measured in mega joules per cubic metre (MJ/m^3), which for a gas is measured and expressed under standard conditions of temperature and pressure.

Compression Energy

Gas and electricity used by National Grid NTS to operate the transportation system that includes energy used for compressor fuel, heating and venting.

Compressor Station

An installation that uses gas turbine or electrically driven compressors to boost pressures in the pipeline system. Compressors are used to increase transmission capacity and move gas through the network.

Constrained LNG

A service available at some LNG storage facilities whereby Shippers agree to hold a minimum inventory in the facility and flow under certain demand conditions at National Grid NTS's request. In exchange Shippers receive a transportation credit from National Grid NTS.

CV Shrinkage

A quantity of energy that may not be billed to end consumers under the Gas (Calculation of Thermal Energy) Regulations 1996. CV Shrinkage arises from variations in CV across an LDZ above a certain threshold. End consumers within the LDZ may only be billed on a maximum CV assumption of 1 MJ/m³ above the Flow Weighted Average CV entering the LDZ.

Delivery Facility Operator (DFO)

The operator of a reception terminal or storage facility, who processes and meters gas deliveries from offshore pipelines or storage facilities before transferring the gas to the NTS.

Distribution Network (DN)

A gas transportation system that delivers gas to industrial, commercial and domestic consumers within a defined geographical boundary. There are currently eight DNs, each consisting of one or more Local Distribution Zones (LDZs). DNs typically operate at lower pressures than the NTS.

Distribution Network Operator (DNO)

Distribution Network Operators own and operate the Distribution Networks that are supplied by the NTS.

Entry Capacity

The right to deliver a quantity of gas into the NTS at an entry point, as defined in the Licence and UNC TPD Section B.

Entry Point

A point at which gas is delivered into the NTS. The entry point may comprise several facilities where gas is delivered. Also referred to as an Aggregate System Entry Point in the UNC.

European Union Emissions Trading Scheme (EU ETS)

European Union market based policy commencing on 1 January 2005 to tackle emissions of carbon dioxide and other greenhouse gases, in order to help combat climate change.

Exit Capacity

The right to offtake a quantity of gas into the NTS at an entry point, as defined in the Licence and UNC TPD Section B.

Exit Capacity Release (ExCR) Methodology

The Exit Capacity Release Methodology is produced in accordance with Special Condition C18 of the Licence. The methodology is used to determine how exit capacity should be released for sale on the NTS.

Exit Point

A point at which gas is taken from the NTS. The exit point may comprise several facilities where gas may be taken.

Gas and Electricity Markets Authority (GEMA)

The Gas and Electricity Markets Authority (“the Authority”) governs the natural gas industry in the UK, and is the body that grants and administers licences to Gas Transporters, Shippers and Suppliers.

Gas Transporter (GT)

Gas Transporters, such as National Grid, are licensed by the Gas and Electricity Markets Authority to transport gas to consumers.

GSMR

Gas Safety (Management) Regulations

Health and Safety Executive (HSE)

The HSE is the UK regulatory body responsible for regulating health and safety at work.

IGEM

Institute of Gas Engineers and Managers

Incremental Entry Capacity Release (IECR) Methodology

The Incremental Entry Capacity Release Methodology is produced in accordance with Special Condition C15 of the Licence. The methodology is used to determine the amount of incremental obligated entry capacity that should be released as a result of bids received in a QSEC auction.

Incremental Obligated Entry Capacity

Special Condition C8D of the Licence categorises entry capacity into different classes of capacity for revenue purposes. Incremental obligated entry capacity is capacity that National Grid NTS must offer for sale to Shippers above a pre-determined baseline level (also defined in the Licence) and is triggered through long term auction signals placed by Shippers.

Interconnector

A pipeline transporting gas to another country. The Irish Interconnector transports gas across the Irish Sea to both the Republic of Ireland and Northern Ireland. The Belgian Interconnector transports gas between Bacton and Zeebrugge and is capable of flowing gas in either direction. The Dutch Interconnector (BBL) transports gas between Balgzand in the Netherlands and Bacton.

IPPC

Integrated Pollution Prevention and Control

Kilowatt hour (kWh)

A unit of energy used by the gas industry. Approximately equal to 0.0341 therms. One megawatt hour (MWh) equals 10^3 kWh, one gigawatt hour (GWh) equals 10^6 kWh, and one terawatt hour (TWh) equals 10^9 kWh.

Licence

Used in this document to refer to National Grid's Gas Transporter Licence in respect of the NTS.

Linepack

The volume of gas within the National Transmission System at any time.

Liquefied Natural Gas (LNG)

Gas stored and/or transported in liquid form.

Load Duration Curve (1-in-50 Severe)

The 1-in-50 severe load duration curve is that curve which, in a long series of years, with connected load held at the levels appropriate to the year in question, would be such that the volume of demand above any given demand threshold (represented by the area under the curve and above the threshold) would be exceeded in one out of fifty years.

Load Duration Curve (Average)

The average load duration curve is that curve which, in a long series of winters, with connected load held at the levels appropriate to the year in question, the average volume of demand above any given threshold, is represented by the area under the curve and above the threshold.

Local Distribution Zone (LDZ)

A geographic area supplied by one or more NTS offtakes that comprises a part of a Distribution Network.

Millions of Standard Cubic Metres per Day (mscmd)

A standard cubic metre is the unit of volume, expressed under metric standard conditions (15°C, 1.01325 bar, dry gas), approximately equal to 35.37 standard cubic feet. 1 million standard cubic metres is equal to 10^6 standard cubic metres. The units "mscmd" refer to a standard volumetric flow rate.

National Transmission System (NTS)

A high-pressure gas transportation system consisting of compressor stations, pipelines, multi-junction sites and offtakes. NTS pipelines transport gas from terminals to NTS offtakes and are designed to operate up to pressures of 94 bar(g).

Network Analysis

The modelling of the physical behaviour of a network of pipes, compressors and other equipment using mathematical software.

Network Entry Agreement (NEA)

An agreement that sets out the technical and operational conditions for the connection and is required by the Uniform Network Code (UNC). The NEA is agreed between the Delivery Facility Operator (DFO) and National Grid NTS and is normally discussed with the future operator of the entry facility in parallel with the connection process.

Network Exit Agreement (NExA)

An agreement that sets out the technical and operational conditions for the connection point. The NExA is agreed between National Grid NTS and the Facility Operator and/or the Shipper and is normally discussed in parallel with the connection process.

NTS Offtake (Flat) Capacity

The right to offtake a quantity of gas from the NTS at a steady rate over a gas day as defined in the UNC TPD Section B. Only DNOs may hold NTS Offtake (Flat) Capacity.

NTS Offtake (Flexibility) Capacity

The right to vary the offtake a quantity of gas from the NTS at from a steady rate over a gas day as defined in the UNC TPD Section B. Only DNOs may hold NTS Offtake (Flexibility) Capacity.

Offtake

An installation defining the boundary between the NTS and a DN or a very large consumer. The offtake installation includes equipment for metering, pressure regulation, etc.

Offtake Capacity Statement (OCS)

The agreement made between National Grid NTS and DNOs in respect of the DNOs' bookings for NTS Offtake (Flat) Capacity, NTS Offtake (Flexibility) Capacity and Assured Offtake Pressures as described in the UNC TPD Section B.

Office of Gas and Electricity Markets (Ofgem)

The regulatory body responsible for regulating Great Britain's gas and electricity markets.

Peak Day Demand (1-in-20 Peak Demand)

The 1-in-20 peak day demand is the level of demand that, in a long series of winters, with connected load held at the levels appropriate to the winter in question, would be exceeded in one out of 20 winters, with each winter counted only once. Producer

Quarterly System Entry Capacity (QSEC)

NTS entry capacity available on a long term basis (up to 17 years into the future) via an auction process. Also known as Long Term System Entry Capacity (LTSEC).

Regulator

A device that may be used to control gas pressure or flowrate.

Shipper

A company with a Shipper Licence that is able to buy gas from a producer sell it to a supplier and employ Gas Transporter(s) to transport gas to consumers.

Shrinkage

Gas that is input to the system but is not delivered to consumers or injected into storage. It comprises Compression Energy, CV Shrinkage and Unaccounted for Gas.

Storage Connection Agreement (SCA)

A Storage Connection Agreement contains elements of the Network Entry Agreement (NEA) and the Network Entry Agreement (NExA).

Storage Operator

The operator of a storage facility connected to the NTS.

Supplier

A company with a Supplier Licence that contracts with a Shipper to buy gas, which is then sold to consumers. A Supplier may also be licensed as a Shipper.

Transporting Britain's Energy (TBE)

Transporting Britain's Energy is the annual consultation process undertaken by National Grid NTS each year to gather information to inform its long term supply and demand forecasts for investment planning.

Transporter

See Gas Transporter.

Ten Year Statement (TYS)

The Ten Year Statement is published annually and contains information on National Grid NTS's long term supply and demand forecasts, and investment proposals over the ten-year planning horizon.

Unaccounted for Gas

Energy transported through the NTS that cannot be accounted for, for example, as a result of metering uncertainty in the measurement of gas delivered to and taken from the system.

Uniform Network Code (UNC)

The Uniform Network Code is the legal and commercial framework that governs the arrangements between the Gas Transporters and Shippers operating in the UK gas market. The UNC comprises different documents including the Transportation Principal Document (TPD) and Offtake Arrangements Document (OAD).

UKCS

United Kingdom Continental Shelf.

Wobbe Index

The Wobbe Index is a parameter used to measure the interchangeability of fuel gases. Combustion appliances are designed to work safely over a particular range of Wobbe Index.

Appendix B

References

The following documents are available at our website, <http://www.nationalgrid.com/Gas/>:

- Ten Year Statement
- Incremental Entry Capacity Release Methodology Statement
- Entry Capacity Substitution Methodology Statement
- Entry Capacity Transfer and Trade Methodology Statement
- Exit Capacity Release Methodology Statement
- Demand Forecasting Methodology

Further information on the UK and European legislative framework may be obtained from following websites:

- Office of Public Sector Information (<http://www.opsi.gov.uk/>)
- European Union (<http://europa.eu.int/>)
- BERR Oil and Gas site (<https://www.og.berr.gov.uk/>)
- Health and Safety Executive (<http://www.hse.gov.uk/>)
- DEFRA (<http://www.defra.gov.uk/>)
- Environment Agency (<http://www.environment-agency.gov.uk/>)
- Scottish Environment Protection Agency (<http://www.sepa.org.uk/>)

A copy of National Grid's Gas Transporter Licence in respect of the NTS is available from Ofgem website on the Electronic Public Register at <http://epr.ofgem.gov.uk/>

The Uniform Network Code is available from the Joint Office of Gas Transporters website at <http://www.gasgovernance.com/>.

A copy of the IGEM guidelines mentioned in this document may be purchased at <http://www.igem.org.uk/>.

Appendix C

Document Revision History

Version	Date of issue	Comments
0.1	4 July 2008	Draft document for discussion with industry.
0.2	11 July 2008	Consultation document
0.3	26 August 2008	Document submitted to Authority for approval
1.0	29 September 2008	Document approved by Authority