

Stage 01: Modification

0438:

Update of UNC TPD Section Y to reflect Exit Reform arrangements

At what stage is this document in the process?



This UNC Modification seeks to update and tidy-up the NTS Transportation Charging Methodology contained in UNC TPD Section Y. The arrangements for Exit Reform are contained in Appendix C of the methodology and it was the intention that the relevant paragraphs of Appendix C would be incorporated into the main body of the methodology. National Grid NTS would normally have undertaken these updates as part of its annual review when the methodology sat outside the UNC. Now that the methodology is part of UNC, any updates must follow UNC Code Governance processes. National Grid NTS also seeks to take this opportunity to make further updates to reflect NTS Exit Reform charging arrangements and correct a number of minor typographical errors which have been identified.



The Proposer recommends that this Transportation Charging Methodology modification be treated as self-governance and proceed to Workgroup



High Impact:



Medium Impact:



Low Impact: Gas Shippers, Distribution Network Operators, gas consumers and interconnector operators.

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About this document:

This document is a modification, which will be presented by the Proposer to the Panel on 15 November 2012. We request that the Panel members consider the Proposer's recommendation, and agree whether this self-governance modification should proceed to consultation or be referred to a Workgroup for assessment.



3 **Any questions?**

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1 Summary

Is this a Self-Governance Modification

The Proposer believes that this modification should be classed as self-governance as its implementation would not discriminate between different classes of UNC parties or have a material effect on existing or future gas customers, competition, operation of the pipeline system(s), matters relating to sustainable development, safety or security of supply, or the management of the market or network emergencies.

Why Change?

This UNC modification seeks to update and tidy-up the National Grid Transmission Transportation Charging Methodology contained in UNC TPD Section Y. The arrangements for NTS Exit Reform are contained in Appendix C of the methodology and it was the intention that the relevant paragraphs of Appendix C would be incorporated into the main body of the methodology. Previously, when the methodology sat outside of the UNC document, National Grid NTS undertook these updates as part of its annual review. Now that the methodology is part of the UNC, any updates must follow the UNC Code Governance processes. National Grid NTS also seeks to take this opportunity to make further updates to reflect NTS Exit Reform charging arrangements and correct a number of minor typographical errors, which have been identified.

Solution

Update UNC TPD Section Y.

Impacts & Costs

There are no system impacts, and no associated costs have been identified for Users.

Implementation

As self-governance procedures are proposed, implementation would be 16 business days after a Modification Panel decision to implement.

The Case for Change

This UNC modification seeks to update and tidy-up the National Grid Transmission Transportation Charging Methodology contained in UNC TPD Section Y. The arrangements for NTS Exit Reform are contained in Appendix C of the methodology and it was the intention that the relevant paragraphs of Appendix C would be incorporated into the main body of the methodology. Previously, when the methodology sat outside of the UNC document, National Grid NTS undertook these updates as part of its annual review. Now that the methodology is part of the UNC, any updates must follow the UNC Code Governance processes. National Grid NTS also seeks to take this opportunity to make further updates to reflect NTS Exit Reform charging arrangements and correct a number of minor typographical errors, which have been identified.

Recommendations

We consider that this modification should proceed to Workgroup for assessment.

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2 Why Change?

This UNC modification seeks to update and tidy-up the National Grid Transmission Transportation Charging Methodology contained in UNC TPD Section Y. The arrangements for NTS Exit Reform are contained in Appendix C of the methodology and it was the intention that the relevant paragraphs of Appendix C would be incorporated into the main body of the methodology. Previously, when the methodology sat outside of the UNC document, National Grid NTS undertook these updates as part of its annual review. Now that the methodology is part of the UNC, any updates must follow the UNC Code Governance processes. National Grid NTS also seeks to take this opportunity to make further updates to reflect NTS Exit Reform charging arrangements and correct a number of minor typographical errors, which have been identified.

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3 Solution

It is proposed that a number of changes are made to UNC TPD Section Y. The proposed updates can be seen in the mark-up draft of UNC TPD Section Y, which is a part of this Modification but provided separately from this document (due to the size of the electronic file). The proposed updates to UNC TPD Section Y are summarised from 1-10 below, and are intended to be consistent with the corresponding paragraphs already specified in Appendix C.

Part A – NTS Charging Methodologies

1. Chapter 2, 2.1 "System Exit Firm Capacity"
 - Paragraph amended to reflect introduction of new "flat" capacity products.
 - Update of UNC reference to the terms on which "flat" capacity products are sold with the inclusion of reference to "Transportation Principle Document".
 - Sentence which states exit charges only applied to firm loads removed as no longer correct.
 - Reference to Appendix C removed.
2. Chapter 2, 2.2 "System Exit Interruptible Capacity"
 - Heading amended.
 - Paragraph amended to reflect introduction of the "Off-peak" capacity product.
 - Update of UNC reference to the terms on which "Off-peak" capacity is sold and its pricing, with the inclusion of reference to "Transportation Principle Document".
 - Reference to Appendix A removed.
3. Chapter 2, 2.5.1 "The Transport Model"
 - Paragraph amended to reflect Appendix C 2.5.1.
 - Footnote reference updated.
4. Chapter 2, 2.5.2 "The Expansion Constant"
 - Paragraph 1 amended to provide further detail on the calculation of the Expansion Constant and how it is to be applied for actual and indicative exit capacity price calculations.
 - Table "Expansion Constant Used for Price Setting" deleted, and reference to Statement of Gas Transportation Charges for expansion constants used for each gas year inserted. This will allow National Grid to update the information without the requirement for an annual UNC Modification or a "Consent to Modify" to be raised.
5. Chapter 2, 2.5.3 "The Tariff Model for Determination of NTS Exit Capacity Charges"
 - Heading amended.

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- Paragraph referring to recovery of revenues when charges are applied to firm and interruptible capacity levels no longer correct and amended to reflect recovery of revenues from baseline exit capacity levels.
 - Supply/Demand Scenario and Network Model years updated.
 - Revenue Recovery Adjustment heading amended.
 - Paragraphs relating to recovery of revenue determined by Licence, under/over-recovery amended.
 - Reference to interruptible "revenue foregone" no longer applicable and removed.
 - Revenue from Incremental Exit Capacity charges amended.
 - Updates to charge setting using Transportation Model, and addition of arrangements for revenue shortfall.
 - Correction of "n_p" (number of exit points) to "n_D" (number of demand charging points) and correction of definition.
 - "Zonal Exit Capacity Charges" section deleted.
6. Chapter 3, 3.4 "NTS SO Commodity Charge"
- Heading amended.
 - Sentence referencing Appendix C for setting of SO & TO exit commodity charges deleted.
7. Chapter 3, 3.5 "NTS Optional Commodity Charge "Shorthaul"", amended to reflect shorthaul as an alternative to both entry and exit NTS SO & TO commodity charges.
8. Chapter 3, 3.7 "NTS TO Exit Commodity Charge", moved from Appendix C.
9. Chapter 3, 3.8 "NTS Exit Commodity Charging at Storage", moved from Appendix C, Chapter 3, 3.9 "NTS Exit Commodity Charging at Storage" and re-numbered.
10. Appendix A, "Business Rules for Interruptible Supply Points", removed.

In addition to the updates detailed in 1 to 10, above, National Grid Transmission proposes to take this opportunity to make the following further updates;

Part A – NTS Charging Methodologies

11. Chapter 1, 1.2 "Structure of NTS Transportation Charges"
- Paragraph amended to reflect introduction of TO commodity charge on exit.
 - Reference to Appendix B amended to Appendix A.
 - Reference to "administered peak day basis" no longer correct and amended to "administered basis".
 - Recovery of revenues when charges are applied to firm and interruptible capacity levels no longer correct and amended to reflect recovery of revenues from baseline capacity levels.
 - Reference to interruptible "revenue foregone" no longer applicable and

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removed.

- Paragraph added to reflect introduction of TO commodity charge on exit when revenue from exit capacity bookings is forecast to be under recovered.

12. Figure 1 "NTS charges to collect TO and SO revenue"

- Diagram amended to reflect dis-continuation of Firm Capacity and Interruptible Exit Capacity – Revenue Forgone arrangements.

13. Chapter 3, 3.1 "NTS TO Entry Commodity Charge", deletion of reference to Appendix C for the setting of TO exit commodity charges from 1st October 2012.

14. Appendix B – "Treatment of Under/Over Recovery 'K'" renamed as Appendix A.

15. Appendix C – "Exit (Flat) Capacity & Commodity Price Setting from 1st October 2012"

- Deletion of all content up to "Timeline for Indicative & Actual Prices".
- Appendix renamed Appendix B.

16. Appendix D – "Classification of Supply Points", renamed as Appendix C.

17. Amended Gas Governance web address.

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4 Relevant Objectives

Impact of the modification on the Relevant Methodology Objectives:	
Relevant Objective	Identified impact
a) save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	None
aa) that, in so far as prices in respect of transportation arrangements are established by auction, either: (i) no reserve price is applied, or (ii) that reserve price is set at a level - (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and (II) best calculated to promote competition between gas suppliers and between gas shippers;	None
b) that, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	Positive
c) that, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	None
d) that the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	None
e) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	None

b) Taking into account of developments in the transportation business.

This modification seeks to update UNC TPD Section Y so that it properly reflects National Grid Transmission's charging arrangements from 1st October 2012. To that extent, implementation of this modification would better facilitate relevant objective b) that, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business.

Licence Compliance

In the Proposer's opinion the modification does not conflict with paragraphs 2, 2A and 3 of Standard Special Condition A4 of the Transporter's Licence as the Proposal is consistent with setting NTS Exit (Flat) Capacity charges from 1st October 2012 and

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from the 1st October in each subsequent year. It is also the Proposer's opinion that the modification does not conflict with paragraphs 8, 9, 10 and 11 of Standard Condition 4B of the Transporter's Licence.

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5 Impacts and Costs

Consideration of Wider Industry Impacts

No wider industry impacts have been identified.

Costs

Indicative industry costs – User Pays
Classification of the modification as User Pays or not and justification for classification
No industry implementation costs have been identified.
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
n/a
Proposed charge(s) for application of Users Pays charges to Shippers
n/a
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve
n/a



Where can I find detail of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:

<http://www.gasgovernance.co.uk/sites/default/files/0565.zip>

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	• None
Operational Processes	• None
User Pays implications	• None

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	• None
Development, capital and operating costs	• None
Contractual risks	• None
Legislative, regulatory and contractual obligations and relationships	• None

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Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	• None
Development, capital and operating costs	• None
Recovery of costs	• None
Price regulation	• None
Contractual risks	• None
Legislative, regulatory and contractual obligations and relationships	• None
Standards of service	• None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	• None
UNC Committees	• None
General administration	• Positive

Impact on Code	
Code section	Potential impact
UNC TPD Section Y	• Appropriately reflects National Grid Transmission charging arrangements from 1 st October 2012

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	• None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	• None
Storage Connection Agreement (TPD R1.3.1)	• None
UK Link Manual (TPD U1.4)	• None

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Impact on UNC Related Documents and Other Referenced Documents	
Network Code Operations Reporting Manual (TPD V12)	• None
Network Code Validation Rules (TPD V12)	• None
ECQ Methodology (TPD V12)	• None
Measurement Error Notification Guidelines (TPD V12)	• None
Energy Balancing Credit Rules (TPD X2.1)	• None
Uniform Network Code Standards of Service (Various)	• None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	• None
Gas Transporter Licence	• None

Other Impacts	
Item impacted	Potential impact
Security of Supply	• None
Operation of the Total System	• None
Industry fragmentation	• None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	• None

6 Implementation

As self-governance procedures are proposed, implementation could be 16 business days after a Modification Panel decision to implement.

7 The Case for Change

In addition to that identified the above, the Proposer has identified the following:

Advantages

No further advantages have been identified.

Disadvantages

No further disadvantages have been identified.

8 Legal Text

Text

Due to the number of updates contained in this modification, Suggested Text is provided in a marked-up draft of UNC TPD Section Y and published separately along side this document.

9 Recommendation

The Proposer invites the Panel to:

- DETERMINE that Modification 0438 progress to Workgroup.