

Representation

Draft Modification Report

0426: Amendment to the NTS System Entry Overrun Charge

Consultation close out date: 02 November 2012

Respond to: enquiries@gasgovernance.co.uk

Organisation: National Grid Transmission

Representative: Lesley Ramsey

Date of Representation: 02 November 2012

Do you support or oppose implementation?

Support

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

As Proposer, National Grid NTS believes that the change proposed in UNC Modification 0426 furthers the "ticket to ride" principles of the capacity regime. If implemented, UNC Modification 0426 would remove the possibility of a User generating a chargeable System Entry overrun quantity and not incurring a System Entry Overrun Charge, thus strengthening the incentive on User's to purchase NTS Entry Capacity consistent with their entry flow requirements.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

There are no additional issues that we believe should be recorded.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

National Grid NTS, as Proposer, agrees with the conclusions detailed in the Draft Modification Report that this modification would, if implemented, better facilitate the achievement of Relevant Objectives (a), (c) and (d) as set out in its Gas Transporters Licence.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

National Grid NTS has raised a Rough Order Of Magnitude (ROM) and Xoserve has confirmed that this modification will result in changes to the Gemini system, with estimated costs of between £86k and £102k.

0426

Representation

02 November 2012

Version 1.0

Page 1 of 2

© 2012 all rights reserved

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

Implementation would follow the completion of the necessary System changes.

Legal Text:

Are you satisfied that the legal text [and the proposed ACS (see www.gasgovernance.co.uk/proposedACS)] will deliver the intent of the modification?

National Grid NTS is satisfied that the legal text delivers the intent of the modification.

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

National Grid NTS previously raised a modification within this area. UNC Modification 0119 proposed to introduce changes to the entry overrun calculation, to remove the possibility of an entry overrun quantity avoiding a System Entry Overrun Charge, by including a reserve price within the entry overrun calculation. It also proposed to negate the possibility that a User could generate more revenue from the surrender of NTS Entry Capacity, via Capacity Management processes, than incurred costs from any resulting System Entry Overrun Charge. UNC Modification 0119 addressed this by proposing the use of the highest offer, buyback and forward price from the existing use of the average offer, buyback and forward price within the overrun calculation. UNC Modification 0119 was rejected by Ofgem, in part, through lack of evidence of Users being incentivised to offer back their NTS Entry Capacity but not appropriately reduce their flows. Ofgem's rejection letter for UNC Modification 0119 also noted that the change proposed in determining the overrun price did not relate to the possible costs incurred by National Grid NTS as a result of overruns.

UNC Modification 0426 differs from UNC Modification 0119 in that it simply seeks to remove the possibility of an entry overrun quantity avoiding a System Entry Overrun Charge. Hence UNC Modification 0426 does not seek to change the use of the offer, buy back and forward price as it solely proposes to add the Monthly System Entry Capacity (MSEC) reserve price to the entry overrun calculation. It is National Grid NTS's view that the intention of UNC Modification 0426 is to reinforce the incentive on Users to purchase sufficient NTS Entry Capacity to cover their flow requirements, and as such will not materially impact upon the current levels of cost reflectivity of the Entry overrun mechanism.