

CODE MODIFICATION PROPOSAL No. 0071
"User Compensation for NEC Storage Curtailment"
Version 2.0

Date: 15/12/2005

Proposed Implementation Date:

Urgency: Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

National Grid NTS requests Urgent status in respect of this Proposal on the basis that it believes the implementation of UNC Modification Proposal 0052 reduces the current incentive for Users to balance their portfolios.

The revision to the User compensation arrangements in the event that the NEC direct Storage Operators to curtail storage withdrawals put forward in this Proposal should be implemented prior to the Winter 2005/06 peak demand periods, in order to ensure that Users retain appropriate incentives to maintain the balance within their portfolios at times of high demand. It also, by compensating Users for curtailed storage withdrawals, corrects the perceived perverse incentive, voiced by some industry participants, that the NEC having rights to curtail storage withdrawals in order to protect Safety Monitors may encourage some Users to withdraw their gas earlier in the winter than may otherwise be the case.

Nature and Purpose of Proposal (including consequence of non implementation)

Defined Terms. Where UNC defined terms are included within this Proposal the terms shall take the meaning as defined within the UNC. Key UNC defined terms are highlighted by an asterisk (). This Proposal, as with all Proposals, should be read in conjunction with the prevailing UNC.*

This Proposal seeks to replace the Storage Withdrawal Curtailment Quantity Trade* introduced in Modification Proposal 0052 and in its place introduce a storage curtailment compensation payment to Users* affected by NEC storage curtailment activity during a Network Gas Supply Emergency* or a Potential Network Gas Supply Emergency*.

National Grid NTS understands that the aim of UNC Modification Proposal 052 is to ensure that Users* whose storage withdrawals have been curtailed as a result of the actions of the NEC*, are kept whole by obliging National Grid NTS to trade a quantity of gas equivalent to that curtailed. In consideration of this trade National Grid NTS would be paid 30 day average SAP* by the User. Through these arrangements, Users can also be effectively compensated for the same quantity of gas on multiple occasions as the volume that can be claimed for is fixed at the beginning of each curtailment action irrespective of whether compensation has been received for the same quantity of gas in an earlier curtailment incident. Title to the gas in store is unaffected by the trade and, as well as potentially receiving multiple incidence of compensation for a quantity of stored gas, a User will also be able to benefit from the value of the gas when it is actually withdrawn.

National Grid NTS considers that Modification Proposal 0052 may distort the market in favour of Users affected by the actions of the NEC in relation to storage curtailment, potentially reducing the incentive on these Users to contribute to a physical daily balance. This may lead to an increase in the activity of National Grid NTS in its role as the residual balancer. Indeed National Grid NTS believe that in a severe winter (1 in 50) the costs of such actions by the residual balancer may approach the £600 million, highlighted by Ofgem in its document: The Review of Top Up arrangements in Gas: Conclusions Document.

Further, the fact that a User could receive multiple compensation payments for the same gas in store may encourage inappropriate commercial behaviours.

The Proposal

The aim of this Proposal is to ensure that Users, affected by a NEC requested curtailment of Storage, are appropriately compensated whilst at the same time retaining an appropriate incentive to balance on the Day*. The level of compensation paid to the Storage User for the curtailment actions of the NEC should recognise that rights attached to the curtailed gas in storage are retained by the User, and that this gas will still be available for the User to withdraw at a later date. The compensation should therefore reflect the cost of putting gas into Storage, holding it there and subsequently delivering this gas to the NBP. National Grid NTS proposes that an appropriate approximation of this amount is the average summer SAP* price plus the fixed differentials (which are based upon storage costs) between SMPBuy* and SMPSell*.

The Proposal also seeks to remove the Storage Withdrawal Curtailment Quantity Trade introduced in Modification Proposal 0052 and in its place introduce a storage curtailment compensation payment, which would be calculated as follows;

$$\text{SAP} - (\text{ASSAP} + 0.0611\text{p})$$

- Where, ASSAP (Average Summer SAP) = is the volume weighted average of the end of Day SAP prices between 1st April and 30th September inclusive, in the previous Gas Year*.
- 0.0611p is the minimum differential between SMPBuy and SMPSell currently within UNC Section F 1.2. (This was originally conceived, in Network Code Modification Proposal 0433, as being representative of the cost of transferring gas into and out of storage.)
- It is also proposed that where the storage curtailment compensation payment calculated above is negative, it shall default to zero.

For each day of a curtailment period Users would be required to submit to National Grid NTS a Curtailment Quantity Claim (CQC) for each relevant Storage Connection Point* in the same manner as that provided for within Modification Proposal 0052. The CQC should be received by National Grid NTS before 04.00 on D* (this is a change to the time stipulated in Modification Proposal 0052). National Grid NTS will then calculate the storage curtailment compensation payment and notify the amount calculated to that User by 17:00hrs on the next Business Day*.

The maximum quantity of gas in store that a particular User could claim compensation for, in relation to each Day in a particular Storage Year* and each Storage Facility* within a Storage Facility Type*, would be the lesser of;

- The User's quantity of gas held in store at the time of the first instance of storage curtailment at a relevant storage facility within a category plus the User's aggregate storage injection quantities less the User's aggregate storage withdrawal quantities less

the User's aggregate quantity of storage curtailment claims made subsequent to the first instance of storage curtailment in relation to that facility, and;

- The User's withdrawal rights at the relevant storage facility.

Again this is a change to the arrangement introduced by Modification Proposal 0052, which treated each period of curtailment as a separate compensation period.

The CQC shall include the following details for each Storage Connection Point in respect of which a claim is being submitted:

- Identity of the User (i.e. name and ID)
- Storage Connection Point (i.e. name and ID),
- Name of the Storage Operator*,
- Storage Allocation Agent* if different from the Storage Operator.
- Opening stock of gas held by that User in the Storage Facility at the start of the first Day of the initial storage curtailment,
- The prevailing Input Nomination* of that User at the time the storage curtailment was requested,
- The quantity of gas on which a storage curtailment compensation payment has been made to that User in respect of that facility during the Gas Year to date,
- Quantity of gas injected into that storage facility by that User since the first day of initial storage curtailment in that Storage Year.
- Quantity of gas withdrawn from that storage facility by that User since first day of the initial storage curtailment in that Storage Year.

It is proposed that all storage curtailment compensation payments shall be funded from Balancing Neutrality*. The above arrangements will ensure that Users are only compensated for the curtailed gas on one occasion in each winter period. Users shall be prevented from receiving multiple payments for curtailment of the same gas.

For example:

A User that has 10 units of gas in store and has 1 unit curtailed for a period of 5 days will receive compensation on 5 units. If later in the same winter there is a further curtailment of storage the User may still have 10 units in store but regardless of his intentions or the duration of any storage curtailment, the User will receive no more than a further 5 units of compensation. Clearly if the User had injected additional gas into storage between the first and any subsequent curtailment period, then they may be entitled to receive a storage curtailment compensation payment for each unit of "new gas" if appropriate.

Joint Office of Gas Transporters
0071: User Compensation for NEC Storage Curtailment v2.0

Examples for the Calculation of Storage Curtailment Compensation Payments over 2 Curtailment Periods

Average Summer SAP	15										
Fixed differential	1.79										
	1st Curtailment Period						2nd Curtailment Period				
Day	1	2	3	4	5	6	26	27	28	29	
SMP _{Buy}	150	160	140	80	95	75	55	20	21	32	
SAP	120	150	135	75	94	73	54	18	19	31	
Physical Gas in Store	100	100	100	100	100	100	145	145	145	145	
Curtailed Quantity	10	30	5	10	80	50	20	5	30	10	
Quantity on which compensation has already been paid	0	10	40	45	55	100	100	120	125	145	
Quantity qualifying for compensation	10	30	5	10	45	0	20	5	20	0	
SAP - (ASSAP+fd)	103.21	133.21	118.21	58.21	77.21	56.21	37.21	1.21	2.21	14.21	

* example represented in p/therm

Any disputes that relate to the calculation of any storage curtailment compensation payment would follow the normal UNC disputes process set out in Section A of the UNC – General Terms, Dispute Resolution.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

National Grid NTS considers that this Proposal, if implemented, may better facilitate the following relevant objective as set out in our GT Licence:

In respect of paragraph 1.a): National Grid NTS considers that this Proposal may improve “*the efficient and economic operation of the pipe-line system*” by ensuring Users are incentivised to balance their own portfolios by contributing to the physical balance of the Total System and therefore help ensure that the market activity of the residual balancer is restored to the more efficient level it was at prior to the implementation of UNC Modification Proposal 0052.

In respect of paragraph 1.e): National Grid NTS considers that this Proposal might improve “*the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers*” by providing appropriate compensation to Users affected by a storage curtailment whilst ensuring that each User retains an incentive to balance within the Day.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

a. Proposed implementation timetable

National Grid NTS requests that the Authority considers approval of the following proposed timetable:

Sent to Ofgem requesting Urgency	09 December 2005
Ofgem grant Urgent status	12 December 2005
Proposal issued for consultation	15 December 2005
Closeout for representations	20 December 2005
FMR issued to Joint Office	23 December 2005
Modification Panel Recommendation	5 January 2006
FMR to Ofgem	6 January 2006
Ofgem decision expected	Mid January 2006

b. Proposed legal text

**UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL DOCUMENT
SECTION F - SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY**

Amend paragraph 4.4.2 to read as follows:

“4.4.2 “**Aggregate System Receipts**” for a Day.....:

- (a)
- (b)
- (c)
- (d)that Day;
- (e)that Day;
- (f); and
- (g) the amounts received by National Grid NTS from Users pursuant to Section Q7.2 ~~or Section Q7.3 in respect of Users’ Storage Withdrawal Curtailment Quantity~~ relating to that Day.”

Amend paragraph 4.4.3 to read as follows:

“4.4.3 “**Aggregate System Payments**” for a Day.....:

- (a)
- (b)that Day;
- (c); and
- (d) the amounts payable by National Grid NTS to Users pursuant to Section Q7.2 relating to that Day ~~or Section Q7.3 in respect of Users’ Storage Withdrawal Curtailment Quantity relating to that Day or any revisions thereto.~~”

**UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL DOCUMENT
SECTION Q - EMERGENCIES**

Amend paragraph 4.2.2 to read as follows:

“4.2.2 In respect of each Day during a Network Gas Supply Emergency Gas Deficit Emergency:

- (a) National Grid NTS shall pay to each User who delivered on a Day more gas to the Total System than it offtook on such Day an amount determined as the User's Daily Imbalance multiplied by the relevant price, subject to paragraph 4.2.5;
- (b) each User who offtook on a Day more gas from the Total System than it delivered on such Day shall pay to National Grid NTS an amount determined as the User's Daily Imbalance multiplied by the relevant price.

For the purposes of this paragraph 4.2.2, and pursuant to the provisions of paragraphs 6.2.1, and 7.2.1, a User's Daily Imbalance shall include that User's Emergency Curtailment Quantity ~~and Storage Withdrawal Curtailment Quantity.~~"

Amend paragraph 7 to read as follows:

~~7. STORAGE WITHDRAWAL CURTAILMENT~~

7.1 Definitions

7.1.1 For the purposes of the Code:

- (a) **~~"Storage Withdrawal Curtailment"~~** means the reduction or cessation of delivery of gas to the Total System from a Storage Facility at the relevant Storage Connection Point by the Storage Operator following a request to do so by the NEC ~~(through National Grid NTS either directly or indirectly)~~;
- (b) **~~"Storage Withdrawal Curtailment Trade Compensation Price"~~** means the value (in pence/kWh) ~~of the arithmetic mean of the System Average Prices determined under Section F1.2.1 or F1.2.2 but by reference to the 30 Days preceding the Day on which the Storage Withdrawal Curtailment occurred~~ determined as:

$$\text{SAP} - (\text{ASSAP} + 0.0611);$$

Where:

SAP is the System Average Price applicable to the Day in question;

ASSAP is a price (in pence/kWh) determined as the sum of all DSSAPs for the period between 1 April and 30 September (inclusive) in the previous Gas Year divided by TV;

DSSAP is the System Average Price applicable to a Day multiplied by the sum of the Trade Nomination Quantities for all Market Transactions for that Day;

TV is the sum of all Trade Nomination Quantities for all Market Transactions for each Day in the period between 1 April and 30 September (inclusive) in the previous Gas Year.

- (c) **~~"Storage Estimated Aggregate Storage Curtailment Compensation Quantity"~~** means, in respect of a User, the sum of the Estimated Individual Storage Curtailment Compensation Quantities for that User in respect of a Day;

- (d) **“Actual Aggregate Storage Curtailment Compensation Quantity”** means, in respect of a User, the sum of the Actual Individual Storage Curtailment Compensation Quantities for that User in respect of a Day;
- (e) **“Estimated Individual Storage Curtailment Compensation Quantity”** means (subject to paragraph (g)), in respect of a User, the quantity of gas calculated by that User as being the sum of the aggregate quantities of gas (in kWh) that the User reasonably estimates it would have been allocated as having delivered (in accordance with the relevant Storage Terms) on a Day to the Total System at a Storage Connection Point in respect of which Storage ~~Withdrawal~~ Curtailment has occurred but for the fact that Storage ~~Withdrawal~~ Curtailment had occurred at ~~those that~~ Storage Connection Point, less the quantities of gas (if any) actually delivered by the User on that Day to the Total System at the Storage Connection Points in question ~~or~~ the quantities of gas (if any) that the User estimates will actually be allocated as having delivered by the User on that Day to the Total System at the Storage Connection Points in question provided that a User’s Storage ~~Withdrawal~~ Curtailment Quantity in respect of each Storage Facility for any Day may not exceed a quantity equal to the lesser of;
- (f) **“Actual Individual Storage Curtailment Compensation Quantity”** means (subject to paragraph (g)), in respect of a User, the quantity of gas (in kWh) that the User reasonably estimates it would have been allocated as having delivered (in accordance with the relevant Storage Terms) on a Day to the Total System at a Storage Connection Point in respect of which Storage Curtailment has occurred but for the fact that Storage Curtailment had occurred at that Storage Connection Point, less the User’s UDQI on that Day at the Storage Connection Point in question;
- (g) a User’s Estimated Individual Storage Curtailment Compensation Quantity or Actual Individual Storage Curtailment Compensation Quantity in respect of a Storage Facility for any Day may not exceed a quantity equal to the lesser of:
- (i) the User’s Available Curtailment Quantity on that Day; and
 - (ii) the maximum available deliverability of the Storage Facility for that Day as provided to National Grid NTS by the Storage Operator for the relevant Storage Facility under the relevant Storage Connection Agreement;
- (hd) a User’s **“Available Curtailment Quantity”** on a Day in relation to each Storage Facility is a quantity equal to the sum of:
- (i) the User’s gas-in-storage in that Storage Facility at the start of the First Curtailment Day ~~immediately prior to the commencement of the Storage Withdrawal Curtailment in question~~; less
 - (ii) the sum of the User’s Actual Individual Storage ~~Withdrawal~~ Compensation Curtailment Quantities in respect of that Storage Facility for each Day since the ~~commencement of the Storage~~

~~Withdrawal Curtailment in question~~ First Curtailment Day;
~~less~~plus

- (iii) the sum of the User's UDQOs in respect of the Storage Connection Point relating to that Storage Facility for each Day since ~~the commencement of the Storage Withdrawal Curtailment in question~~ First Curtailment Day; ~~plus~~less
- (iv) the sum of the User's UDQIs in respect of the Storage Connection Point relating to that Storage Facility for each Day since ~~the commencement of the Storage Withdrawal Curtailment in question~~ First Curtailment Day;

~~For the avoidance of doubt, on the Day of the commencement of the Storage Withdrawal Curtailment in question, the User's Available Curtailment Quantity shall be a quantity equal to the User's gas in storage in that Storage Facility immediately prior to the commencement of the Storage Withdrawal Curtailment in question~~

- (i) the "**First Curtailment Day**" is the first Day in the Gas Year on which Storage Curtailment occurred at the Storage Facility in question.

7.2 ~~Storage Withdrawal Curtailment Trade Compensation Arrangements~~

7.2.1 ~~On each Day that Storage Withdrawal Curtailment occurs, then each User that has a Storage Withdrawal Curtailment Quantity will make an Acquiring Trade Nomination, and National Grid NTS will make a corresponding Disposing Trade Nomination, in each case for the User's Storage Withdrawal Curtailment Quantity. The User shall make its Acquiring Trade Nomination not later than 23:00 hours on the Day to which it relates, and any such Acquiring Trade Nomination may be withdrawn at any time prior to National Grid NTS submitting the corresponding Disposing Trade Nomination but not otherwise will submit to National Grid NTS by 0400 hours on the Day that Storage Curtailment occurs a CQSCP Statement detailing the User's Estimated Individual Storage Curtailment Compensation Quantity in respect of each Storage Connection Point at which Storage Curtailment occurred and a SCCQ Statement detailing the User's Estimated Aggregate Storage Curtailment Compensation Quantity. Not later than 1700 hours on the first Business Day following the Day that Storage Curtailment occurs, National Grid NTS will advise each User that submits a SCCQ Statement as set out in paragraph 7.2.1 of the amount payable by National Grid NTS pursuant to paragraph 7.2.2.~~

7.2.2 ~~Each User will pay to National Grid NTS will pay each User that submits a SCCQ Statement as set out in paragraph 7.2.1 an amount determined as the User's Storage Withdrawal Curtailment Quantity Estimated Aggregate Storage Curtailment Compensation Quantity multiplied by the Storage Withdrawal Curtailment Trade Compensation Price.~~

7.2.3 ~~As soon as reasonably practicable after the end of the Day (and in event, not later than the Entry Close Out Date in respect of the Day), the User shall submit to National Grid NTS a revised CQSCP Statement detailing the Actual Individual~~

Storage Curtailment Compensation Quantity in respect of each Storage Connection Point at which Storage Curtailment occurred and a revised SCCQ Statement detailing the User's Actual Aggregate Storage Curtailment Compensation Quantity.

~~7.2.4~~ In the event that a User's Actual Aggregate Storage Curtailment Compensation Quantity estimate of its Storage Withdrawal Curtailment Quantity is changed in respect of a Day or Storage Withdrawal Curtailment that had previously occurred in respect of that Day is removed differs from the User's Estimated Aggregate Storage Curtailment Compensation Quantity in respect of such Day, then such User shall calculate a revised Storage Withdrawal Curtailment Quantity, and:

- ~~(a)~~ where the effect is such that a User's Actual Aggregate Storage Curtailment Compensation Quantity revised Storage Withdrawal Curtailment Quantity is greater than the User's previously calculated Storage Withdrawal Curtailment Quantity Estimated Aggregate Storage Curtailment Compensation Quantity, then National Grid NTS will pay to the User an amount determined as the difference between the User's Actual Aggregate Storage Curtailment Compensation Quantity and the User's Estimated Aggregate Storage Curtailment Compensation Quantity, multiplied by the Storage Curtailment Compensation Price the User will make an Acquiring Trade Nomination, and National Grid NTS will make a corresponding Disposing Trade Nomination, in each case for the difference between the User's revised Storage Withdrawal Curtailment Quantity and the User's previously calculated Storage Withdrawal Curtailment Quantity; and
- ~~(b)~~ where the effect is such that a User's revised Storage Withdrawal Curtailment Quantity Actual Aggregate Storage Curtailment Compensation Quantity is less than the User's previously calculated Storage Withdrawal Curtailment Quantity Estimated Aggregate Storage Curtailment Compensation Quantity, then each User that has a Storage Withdrawal Curtailment Quantity will make a Disposing Trade Nomination, and National Grid NTS will make a corresponding Acquiring Trade Nomination, in each case for the difference between the User's previously calculated Storage Withdrawal Curtailment Quantity and the User's revised Storage Withdrawal Curtailment Quantity the User will pay to National Grid NTS an amount determined as the difference between the User's Estimated Aggregate Storage Curtailment Compensation Quantity and the User's Actual Aggregate Storage Curtailment Compensation Quantity, multiplied by the Storage Curtailment Compensation Price.

~~7.2.4~~ In the circumstances set out in:

- ~~(a)~~ paragraph 7.2.3(a), the User will pay to National Grid NTS an amount determined as the difference between the User's previously calculated Storage Withdrawal Curtailment Quantity and the User's revised Storage Withdrawal Curtailment Quantity multiplied by the Storage Withdrawal Curtailment Trade Price;

~~(b) paragraph 7.2.3(b), National Grid NTS will pay to the User an amount determined as the difference between the User's revised Storage Withdrawal Curtailment Quantity and the User's previously calculated Storage Withdrawal Curtailment Quantity multiplied by the Storage Withdrawal Curtailment Trade Price.~~

~~7.2.5 National Grid NTS shall use reasonable endeavours to submit the corresponding Disposing Trade Nomination or Acquiring Trade Nomination (as the case may be) pursuant to paragraph 7.2.1 or 7.2.3, or inform the User of its intention to refuse to submit the corresponding Disposing Trade Nomination or Acquiring Trade Nomination (as the case may be) pursuant to paragraph 7.2.1 or 7.2.3, within one (1) hour of the User notifying its Acquiring Trade Nomination or Disposing Trade Nomination to National Grid NTS. National Grid NTS shall be entitled to refuse to submit the corresponding Disposing Trade Nomination or Acquiring Trade Nomination (as the case may be) pursuant to paragraph 7.2.1 or 7.2.3 if the resulting Storage Withdrawal Curtailment Quantity exceeds a quantity equal to the lesser of:~~

~~(a) the User's Available Curtailment Quantity in respect of the relevant Storage Facility; and~~

~~(b) the maximum available deliverability of the relevant Storage Facility for that Day as provided to National Grid NTS by the Storage Operator for the relevant Storage Facility under the relevant Storage Connection Agreement.~~

~~7.2.6 National Grid NTS will not pay Balancing Charges, Balancing Neutrality Charges, Scheduling Charges or Daily Imbalance Charges as a result of Trade Nominations occurring as a result of the operation of paragraphs 7.2.1 or 7.2.3.~~

~~7.2.57 For the avoidance of doubt, any amounts payable by National Grid NTS pursuant to paragraph 7.2.2 or 7.2.4 shall not be included in the calculation of the System Marginal Buy Price, the System Marginal Sell Price or the System Average Price pursuant to Section F1.2 for the Day to which such amounts relate.~~

~~7.2.8 As soon as reasonably practicable after the removal of the Storage Withdrawal Curtailment (and in event, not later than the Entry Close Out Date in respect of the Day on which the Storage Withdrawal Curtailment was removed), the User shall (on the basis of its confirmed UDQIs in respect of a Storage Facility) advise National Grid NTS (by submitting a CQSCP Statement and a SWCQ Summary Statement) of any revisions required to the User's Storage Withdrawal Quantity in relation to the relevant Storage Facility for the Days in question. The provisions of paragraph 7.3 shall apply to any such revisions.~~

~~7.2.96 For the purposes of Code:~~

~~(a) a "CQSCP Statement" is a statement prepared by a User in relation to each Storage Connection Point in respect of which it is a User and at which Storage Withdrawal Curtailment occurred on the Days in question specifying:~~

~~(i) the identity of the User to which the statement relates;~~

- (ii) the Storage Connection Point to which the statement relates;
- (iii) the name of the Storage Operator;
- (iv) the ~~User Allocation Agent~~ name of the allocation agent in respect of the Storage Connection Point if different from the Storage Operator;
- (v) the User's gas-in-storage in the Storage Facility at the start of the First Curtailment Day ~~which the Storage Withdrawal Curtailment commenced~~;
- (vi) the User's prevailing Input Nomination at the time the Storage ~~Withdrawal~~ Curtailment commenced;
- (vii) the User's ~~end of Day Input Nominations~~ Actual Individual Storage Curtailment Compensation Quantities for the Storage Facility in question (or, where these are not available, the Estimated Individual Storage Curtailment Compensation Quantities or the Storage Facility in question) for all Days since the First Curtailment Day ~~Storage Withdrawal Curtailment commenced~~;
- (viii) the User's ~~actual~~ UDQIs at the Storage Connection Point for each Day since ~~the Storage Withdrawal Curtailment commenced~~ First Curtailment Day;
- (ix) the User's UDQOs at the Storage Connection Point for each Day since the First Curtailment Day ~~the User's estimated gas in storage in the Storage Facility at the end of each Day during which the Storage Withdrawal Curtailment continued~~;
- (x) ~~the User's estimated gas in storage in the Storage Facility at the end of each Day during which the Storage Withdrawal Curtailment continued less the User's cumulative estimated Storage Withdrawal Curtailment Quantity in respect of each Day during which the Storage Withdrawal Curtailment continued;~~
- (xi) ~~the User's actual gas in storage in the Storage Facility at the end of each Day during which the Storage Withdrawal Curtailment continued~~;
- (xii) ~~the User's actual gas in storage in the Storage Facility at the end of each Day during which the Storage Withdrawal Curtailment continued less the User's cumulative revised Storage Withdrawal Curtailment Quantity in respect of each Day during which the Storage Withdrawal Curtailment continued~~;
- (xiii) the User's Estimated Storage Withdrawal Curtailment Quantity Individual Storage Curtailment Compensation Quantity or Actual Individual Storage Curtailment Compensation Quantity (as the case may be) for the Storage Facility in respect of each the Day

~~during which the Storage Withdrawal Curtailment continued; and in question.~~

~~(xiv) the User's revised Storage Withdrawal Curtailment Quantity in respect of each Day during which the Storage Withdrawal Curtailment continued.~~

(b) a “**SWCQ Statement**” is a statement prepared by a User specifying:

(i) the identity of the User to which the statement relates;

(ii) the User's ~~Estimated Storage Withdrawal Curtailment Quantity~~Individual Storage Curtailment Compensation Quantity or Actual Individual Storage Curtailment Compensation Quantity (as the case may be) for each Storage Connection Point in respect of each the Day in question ~~during which the Storage Withdrawal Curtailment continued; and~~

(iii) User's Estimated Aggregate Storage Curtailment Compensation Quantity or Actual Aggregate Storage Curtailment Compensation Quantity (as the case may be) in respect of the Day in question.~~the User's revised Storage Withdrawal Curtailment Quantity for~~

~~(iv) the total of the amounts specified pursuant to paragraph (ii); and~~

~~(v) the total of the amounts specified pursuant to paragraph (iii).~~

7.3 Storage Withdrawal Curtailment Adjustment

~~7.3.1 Where the provisions of this paragraph 7.3 apply, then:~~

~~(a) where the User's Storage Withdrawal Curtailment Adjustment Quantity is positive, the User will pay National Grid NTS an amount equal to the User's Storage Withdrawal Curtailment Adjustment Clearing Charge; and~~

~~(b) where the User's Storage Withdrawal Curtailment Adjustment Quantity is negative, National Grid NTS will pay the User an amount equal to the User's Storage Withdrawal Curtailment Adjustment Clearing Charge.~~

~~7.3.2 For the purposes of this paragraph 7.3:~~

~~(a) in respect of each Day, a User's “**Storage Withdrawal Curtailment Adjustment Quantity**” is the amount by which the User's Storage Withdrawal Curtailment Quantity advised by the User pursuant to paragraph 7.2.8 in respect of Day differs from the User's Storage Withdrawal Curtailment Quantity estimated by the User in accordance with paragraph 7.1.1(c) in respect of such Day;~~

~~(b) “**Storage Withdrawal Curtailment Adjustment Clearing Charge**” is an amount equal to the User's Storage Withdrawal Curtailment Adjustment Quantity multiplied by the Storage Withdrawal Curtailment Trade Price; and~~

~~7.3.3 A User's Storage Withdrawal Curtailment Adjustment Quantity is positive where the User's Storage Withdrawal Curtailment Quantity advised by the User pursuant~~

~~to paragraph 7.2.8 in respect of a Day is greater than the User's Storage Withdrawal Curtailment Quantity estimated by the User in accordance with paragraph 7.1.1(c) in respect of such Day, and is negative where the User's Storage Withdrawal Curtailment Quantity estimated by the User in accordance with paragraph 7.1.1(c) in respect of a Day is greater than the User's Storage Withdrawal Curtailment Quantity advised by the User pursuant to paragraph 7.2.8 in respect of such Day.~~

~~7.3.4 In addition to the amounts payable pursuant to paragraph 7.3.1:~~

- ~~(a) where the User's Daily Imbalance is negative in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates, and the Storage Withdrawal Curtailment Adjustment Quantity is negative, then the User shall pay National Grid NTS an amount equal to the Storage Withdrawal Curtailment Adjustment Quantity multiplied by the relevant buy price applicable to such Day;~~
- ~~(b) where the User's Daily Imbalance is negative in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates, and the Storage Withdrawal Curtailment Adjustment Quantity is positive (but is less in magnitude than the User's Daily Imbalance in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates), then National Grid NTS shall pay to the User an amount equal to the Storage Withdrawal Curtailment Adjustment Quantity multiplied by the relevant buy price applicable to such Day;~~
- ~~(c) where the User's Daily Imbalance is negative in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates, and the Storage Withdrawal Curtailment Adjustment Quantity is positive (and is greater in magnitude than the User's Daily Imbalance in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates), then National Grid NTS shall pay the User:
 - ~~(i) an amount equal to the User's Daily Imbalance in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates multiplied by the relevant buy price applicable to such Day; plus~~
 - ~~(ii) an amount equal to the sum of the Storage Withdrawal Curtailment Adjustment Quantity less the User's Daily Imbalance in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates, multiplied by the relevant sell price applicable to such Day;~~~~
- ~~(d) where the User's Daily Imbalance is positive in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates, and the Storage Withdrawal Curtailment Adjustment Quantity is positive, then National Grid NTS shall pay to the User an amount equal to the Storage Withdrawal Curtailment Adjustment Quantity multiplied by the relevant sell price applicable to such Day;~~

- ~~(e) — where the User’s Daily Imbalance is positive in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates, and the Storage Withdrawal Curtailment Adjustment Quantity is negative (but is less in magnitude than the User’s Daily Imbalance in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates), then the User shall pay National Grid NTS an amount equal to the Storage Withdrawal Curtailment Adjustment Quantity multiplied by the relevant sell price applicable to such Day;~~
- ~~(f) — where the User’s Daily Imbalance is positive in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates, and the Storage Withdrawal Curtailment Adjustment Quantity is negative (and is greater in magnitude than the User’s Daily Imbalance in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates), then the User shall pay National Grid NTS:
 - ~~(i) — an amount equal to the User’s Daily Imbalance in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates multiplied by the relevant sell price applicable to such Day; plus~~
 - ~~(ii) — an amount equal to the sum of the Storage Withdrawal Curtailment Adjustment Quantity less the User’s Daily Imbalance in respect of the Day to which the Storage Withdrawal Curtailment Adjustment Quantity relates, multiplied by the relevant buy price applicable to such Day.~~~~

~~7.3.5 — For the purposes of paragraph 7.3.4:~~

- ~~(a) — the “relevant sell price” for any Day:
 - ~~(i) — in respect of which there is a Potential Network Gas Supply Gas Deficit Emergency (but no Network Gas Supply Gas Deficit Emergency), is the System Marginal Sell Price determined under Section F1.2.2(b); and~~
 - ~~(ii) — in respect of which there is a Network Gas Supply Gas Deficit Emergency, the relevant price as specified in paragraph 4.2.3(a);~~~~
- ~~(b) — the “relevant buy price” for any Day:
 - ~~(i) — in respect of which there is a Potential Network Gas Supply Gas Deficit Emergency (but no Network Gas Supply Gas Deficit Emergency), is the System Marginal Buy Price determined under Section F1.2.2(a); and~~
 - ~~(ii) — in respect of which there is a Network Gas Supply Gas Deficit Emergency, the relevant price as specified in paragraph 4.2.3(b);²²~~~~

c. Advantages of the Proposal

The Proposal will provide appropriate compensation to Users affected by storage curtailment activity requested by the NEC.

The Proposal will ensure that the incentive on such Users to balance within the Day is maintained thus helping to ensure that the market activity of the residual balancer is restored to an efficient level.

The Proposal ensures that Users affected by a storage curtailment cannot successfully make multiple compensation claims for the same unit of gas.

d. Disadvantages of the Proposal

The Proposal does not prevent a User from obtaining an additional benefit from the gas it holds in Storage, by withdrawing it on a day after the curtailment period, when the market value of the gas may be higher than the potential value that was compensated for.

e. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

By ensuring that Users retain an incentive to balance on the day short term security of supply is not adversely impacted by the Proposal.

By compensating Users for the curtailment of the gas they hold in storage and thereby helping to protect the Safety Monitors* long term security of supply is enhanced.

f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including

i. implications for operation of the System

The Proposal will restore National Grid NTS's role of residual balancer back to the more efficient level that existed prior to the implementation of UNC Modification Proposal 0052.

ii. development and capital cost and operating cost implications

The Proposal seeks to reduce the role of the residual balancer to the extent that this role has been increased through the implementation of Modification Proposal 0052 and will therefore save the costs associated with the additional trades and processes anticipated as a result of UNC 0052.

iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs

It is proposed that payment of the compensation is funded via Balancing Neutrality.

iv. analysis of the consequences (if any) this proposal would have on price regulation

No such consequences are anticipated.

g. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

No material consequences identified

h. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

Minor changes to systems or manual workarounds may be required

i. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Users affected by a curtailment of Storage Withdrawal will receive an appropriate compensation payment and be incentivised to restore any imbalance positions. Additional operational costs associated with submitting claims, etc are believed to be lower than those associated with the current, post UNC 0052, regime.

Users unaffected by the curtailment of Storage Withdrawal will benefit as a result of a likely reduction in the buying activity of the residual balancer that would have otherwise been funded through neutrality.

Code Concerned, sections and paragraphs

Transportation Principal Document
Section F – System Clearing, Balancing Charges and Neutrality
4.4.2 and 4.4.3
Section Q – Emergencies
4.4.2 and 7

Proposer's Representative

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Proposer

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Signature

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