

Draft Modification Report
Introduction of an SO Commodity Charge for NTS Storage Exit Flows
Modification Reference Number 0120
Version 1.0

This Draft Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 9.6.

1. The Modification Proposal

The Proposal was as follows:

“The UNC currently provides for the application of an SO commodity charge in respect of storage entry flows (withdrawals from storage) and Storage Use Gas i.e. gas that is deemed to exit the NTS at a storage point for purposes such as “boil off”. No such provision exists in respect of storage exit flows (injection into storage).

National Grid NTS is to raise a pricing consultation (NTS GCM03 “Introduction of an SO Commodity Charge for NTS Storage Facilities”) to propose the implementation of a reduced SO commodity charge rate on storage entry and exit flows compared to other entry and exit flows. The UNC arrangements would therefore need to be modified to provide for the application of the proposed charge rate to NTS storage exit flows.

It is intended that the proposed change to UNC for storage exit flows, together with the existing provisions in UNC with regard to storage entry flows and Storage Use Gas, would provide for an applicable SO commodity rate to apply to all storage flows, including Storage Use Gas. It is intended that National Grid NTS’s Statement of the Gas Transmission Transportation Charging Methodology would describe the applicable charge rate that would apply to the respective storage quantities.

The SO commodity charges liable by Users at a Storage Facility would be calculated by applying the proposed SO storage commodity charge rate to both the User’s daily storage input and output quantities, and by applying the existing standard SO commodity charge rate to Storage Use Gas quantities.

Implementation of the Proposal would thus enable implementation of charges that are to be proposed within NTS GCM03¹ in respect of storage exit flows. It is intended that these proposed charges would become effective from 1 April 2007.”

2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Implementation would in the Proposer's view allow implementation of the applicable SO commodity charge rates for storage exit flows and avoid inconsistency with the Gas Transmission Charging Methodology Statement. Implementation of this Proposal would thus further the efficient discharge of National Grid NTS's obligations under its Gas Transporter Licence and thus better facilitate the achievement of Standard Special Condition A11.1 (c).

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

The implementation of this proposal should not have any effect on security of supply, operation of the Total System, or industry fragmentation.

4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including

a) implications for operation of the System:

Implementation is not expected to affect the operation of the System.

b) development and capital cost and operating cost implications:

Any costs associated with changes to the billing systems are expected to be minimal.

c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

Any costs associated with system development and operating processes would be covered under the internal cost incentive.

d) analysis of the consequences (if any) this proposal would have on price regulation:

Implementation would ensure alignment between the UNC and the proposed changes to the Gas Transmission Transportation Charging Methodology statement.

5. 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

The Proposer stated, "implementation is expected to reduce the level of contractual risk of National Grid NTS by allowing it to charge Storage Users in accordance with its Gas Transmission Transportation Charging Methodology Statement."

6. 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

The Proposer asserted that “as the NTS storage sites are invoiced by offline systems, any systems changes would not affect the core UK Link System.”

Following clarification from the Proposer, the SME can advise that the invoicing of NTS storage sites by offline systems would be in respect of exit flows only. (Entry flows would be invoiced on UK Link systems.)

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

The Proposer stated “no such implications are envisaged.”

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

No such implications have been identified.

9. Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

No such consequences have been identified.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

The Proposer believed that this Proposal, if implemented, “would provide for the implementation of the new SO storage commodity charge which is to be proposed within NTS GCM03, and would ensure alignment between the UNC and the (amended) Gas Transmission Transportation Charging Methodology Statement, subject to decision from the Authority, in respect of gas flows at NTS Storage Facilities.”

Disadvantages

The Proposer was unaware of any disadvantages of the Proposal.

11. Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Written Representations are now sought in respect of this Draft Report

12. The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Implementation is required to ensure alignment between the UNC and the Transmission Transportation Charging Methodology as proposed to be changed by NTS GCM03 ("Introduction of an SO Commodity Charge for NTS Storage Facilities").

14. Programme for works required as a consequence of implementing the Modification Proposal

No programme of works has been identified for implementation of this Modification Proposal.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

The Proposer suggested an implementation date of 1st April 2007, to coincide with proposed changes to its Gas Transmission Transportation Charging Methodology.

16. Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

17. Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

18. Transporter's Proposal

19. Text

TPD Section B

Amend paragraph 1.8.5 to read as follows:

“1.8.5 In respect of any Transportation Charge in respect of any System Point:

- (a)
- (b); or
- (c) in the case of a Commodity Charge or the Commodity Variable Component of a Customer Charge, the "**Applicable Commodity Rate**" is the rate of such charge, in pence per kWh of gas flow, ~~or: provided that, (d)~~ for the purposes of paragraph 3.5.3, the Applicable Commodity Rate may be the rate determined in accordance with the Transportation Statement by reference to the distance between the Specified Exit Point and the Specified Entry Point and the capacity of the Specified Exit Point, determined in accordance with Section B3.5.5 (the "**NTS Optional Commodity Rate**");

in each case in accordance with and subject to paragraphs 1.8.1 to 1.8.4, and (where any such rate varies according to the time of year) as applicable from time to time.”

Amend paragraph 3.5.3 to read as follows:

“3.5.3 The NTS Exit Commodity Charge payable (for any Day) by a User will be determined (for each NTS Exit Point) as:

- (a)
- (b) in the case of any other NTS Exit Point, the amount of its UDQO at the relevant NTS Exit Point multiplied by the Applicable Commodity Rate(s).”

Representations are now sought in respect of this Draft Report and prior to the Transporters finalising the Report

Subject Matter Expert sign off:

I confirm that I have prepared this modification report in accordance with the Modification Rules.

Signature:

Date :

Signed for and on behalf of Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters

Signature:

Date :