

CODE MODIFICATION PROPOSAL No 0134
“Publication of Nodal NTS Demand Forecast”
Version 2.0

Date: 14/02/2007

Proposed Implementation Date: 01/04/2007

Urgency: Non Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

National Grid NTS sets capacity charges in accordance with its Gas Transmission Transportation Charging Methodology Statement (the “Charging Methodology”) utilising nodal annual supply and demand forecasts for various Gas Years provided through the Transporting Britain’s Energy (TBE) process. This data is also used to prepare a ten year supply and demand forecast which is published in National Grid NTS’ Ten Year Statement (TYS) in accordance with Section O4 of the Uniform Network Code (UNC). Although the TYS contains nodal supply forecasts, the UNC obliges National Grid NTS to only publish such demand forecasts at aggregated levels. Specifically, TPD Section O4.1.3 requires National Grid NTS to only publish forecasts in respect of System Exit Points on the following basis:

- in respect of LDZ Supply Points, on an aggregated basis by LDZ;
- in respect of NTS Supply Points, on an aggregated basis for the Total System as a whole.

National Grid NTS is therefore not able to publish the demand forecast data it utilises to set capacity charges. This means that Users are not able to repeat the charge setting process which National Grid NTS undertakes in accordance with the Charging Methodology. To improve transparency in respect of the capacity charge setting process, National Grid NTS considers that there would be merit in amending the UNC to allow publication of the nodal demand forecast data used in the relevant charging model. This would complement initiatives being discussed as part of the Gas Transportation Methodology Charging Forum (“Gas TCMF”) in respect of development and publication of a transparent capacity charging model.

It is therefore proposed that the UNC is amended to remove the current restrictions in respect of publication of demand forecasts at a nodal granularity such that National Grid NTS may publish, without breaching confidentiality obligations, the data it utilises to:

- set indicative or final capacity charges under the Charging Methodology; and
- determine indicative capacity charges under proposed amendments to

the Charging Methodology.

However, this should be limited to publication of such data for the following 3 Gas Years only to avoid revealing commercially sensitive information with respect to potential new connections.

It should be noted that, as a result of discussions at the Gas TCMF, National Grid NTS has recently consulted on alternative ways to determine NTS Entry and Exit Capacity Charges. This has led to a proposal (NTS GCM-01) being submitted on 25th January 2007 to the Authority to seek to implement a Transportation Model based on a single year analysis utilising supply / demand forecasts for each entry and exit node up to 3 years ahead. If this proposed amendment to the Charging Methodology is not vetoed, it would replace the current Transcost based approach utilising a 10 year supply / demand forecast for each entry and exit node.

In the event that this Proposal is not implemented, then National Grid NTS would not be able to publish the nodal forecast demand data it uses to set capacity charges to allow Users to repeat the charging setting process. In addition, in the event that the proposed amendment to the Charging Methodology NTS GCM-01 is not vetoed, Users would not be able to undertake scenario analysis using the Transportation Model, which has now been made available to Users.

- b) **Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)**

- c) **Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.**

The Proposer suggests that this Proposal proceeds straight to consultation in accordance with Section 7.3 of the Modification Rules.

2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives

National Grid NTS considers this Proposal would, if implemented, better facilitate the following Relevant Objectives as set out in its Gas Transporters Licence:

- in respect of paragraph A11.1 (a), in the event that the proposed amendment to the Charging Methodology NTS GCM-01 is not vetoed, the Proposal would allow Users to assess the impact of changes on capacity prices to changes in supply/demand forecasts and new connections using the proposed Transportation Model, which has now been made available to Users. This would allow Users to make better informed decisions in respect of their potential connections to and use of the NTS and thereby promote the economic and efficient operation of the System;

in respect of paragraph A11.1 (d), the Proposal would improve the transparency of the capacity charge setting process and thereby promote competition between relevant shippers and between relevant suppliers.

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

National Grid NTS believes that this Proposal, if implemented, would not materially impact upon security of supply, operation of the Total System, or industry fragmentation.

4 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

a) The implications for operation of the System:

National Grid NTS considers that this Proposal, if implemented, would allow Users to use the proposed Transportation Model, if not vetoed, to assess the impact of changes on capacity prices to changes in supply/demand forecasts and new connections. This would allow Users to make better informed decisions in respect of their potential connections to and use of the NTS and thereby promote the economic and efficient operation of the System.

b) The development and capital cost and operating cost implications:

National Grid NTS believes this Proposal, if implemented, would have no capital cost or operating cost implications.

c) Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:

National Grid NTS believes that this Proposal will not require it to recover additional costs.

d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

National Grid NTS believes that the Proposal has no impact on the level of contractual risk that a Transporter is exposed to.

5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)

6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users

National Grid NTS does not envisage that implementation of this proposal will have an impact on the UK Link System.

7 The implications for Users of implementing the Modification Proposal, including:

a) The administrative and operational implications (including impact upon manual processes and procedures)

National Grid believes this Proposal has no administrative and operational implications for Users.

b) The development and capital cost and operating cost implications

National Grid believes this Proposal has no capital or operating cost implications for Users.

c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

National Grid believes this Proposal would not increase the level of contractual risk on Users.

8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)

National Grid is not aware of any implications but would welcome responses from others in this area.

9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters

10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above

Advantages

National Grid NTS believes that this Proposal will facilitate greater transparency and clarity within its capacity charge setting process.

Disadvantages

National Grid NTS recognises that this Proposal could, in the extreme, impact on the participation levels for National Grid NTS consultative processes particularly Transporting Britain's Energy and the Winter Outlook report. However, in the event that the proposed amendment to the Charging Methodology NTC GCM-01 is not vetoed, then this Proposal is likely to only result in the publication of nodal demand data for up to 3 years ahead.

- 11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)**
- 12 Detail of all other representations received and considered by the Proposer**
- 13 Any other matter the Proposer considers needs to be addressed**
- 14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal**
- 15 Comments on Suggested Text**
- 16 Suggested Text**

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) O4

Proposer's Representative

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