

CODE MODIFICATION PROPOSAL No 0159
“National Grid NTS discretionary release of Interruptible NTS Entry Capacity”
Version 2.0

Date: 16/07/2007

Proposed Implementation Date: 01/09/2007

Urgency: Non Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

Where capitalised words and phrases are used within this Modification Proposal, those words and phrases shall usually have the meaning given within the Uniform Network Code (unless they are otherwise defined in this Modification Proposal). Key UNC defined terms used in this Modification Proposal are highlighted by an asterisk (*) when first used. This Modification Proposal*, as with all Modification Proposals, should be read in conjunction with the prevailing UNC.

National Grid NTS releases Interruptible NTS Entry Capacity* through a Daily Interruptible System Entry Capacity (DISEC) Auction process. The quantity of Interruptible NTS Entry Capacity that is released in respect of any Aggregate System Entry Point* (ASEP) for any day is limited to an amount that is equal to the Daily Average Unutilised Firm Capacity*. This is known as the ‘use it or lose it’ (UIOLI) calculation.

National Grid NTS does not propose to change the UIOLI calculation or its role in determining a quantity of Interruptible NTS Entry Capacity to be made available on a daily basis. National Grid NTS proposes that this calculation now be used to provide a minimum quantity of Interruptible NTS Entry Capacity for release through the DISEC Auction and that National Grid NTS be able to release additional amounts of Interruptible NTS Entry Capacity, at any ASEP, at its own discretion. Any such additional Interruptible NTS Entry Capacity will be made available as part of the existing D-1 DISEC Auction process.

This change is being proposed in response to recent industry changes in particular the Transfer and Trade Licence Obligations and the reduction in Baselines.

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.

National Grid NTS seeks this Modification Proposal to proceed direct to consultation in accordance with Section 7.3 of the modification procedures in the UNC. This is to seek to implement the Proposal as soon as possible and provide the opportunity for National Grid NTS to release additional Interruptible NTS Entry Capacity during the coming winter.

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 Standard Special Condition A11 paragraph 1(a), the Proposal would provide additional flexibility in the Entry Interruption arrangements to allow National Grid NTS to release additional Interruptible NTS Entry Capacity. This should result in the release of additional capacity to the market and the avoidance of gas being stranded offshore, and thereby better facilitate the efficient and economic operation of the NTS pipeline system;
- in respect of Standard Special Condition A11 paragraph 1(d), the Proposal would promote the securing of effective competition between relevant Shippers by use of a pay-as-bid auction for the allocation of any additional Interruptible NTS Entry Capacity.

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, may enhance security of supply by allowing Users the opportunity to obtain additional Interruptible NTS Entry Capacity than would otherwise be the case.

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 does not believe this Proposal, if implemented, would adversely affect the operation of the System. By optimizing the release of Interruptible NTS Entry Capacity, this Proposal would provide Users with a greater opportunity to ensure gas supplies can be delivered.

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

National Grid NTS believes that 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, if implemented, 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 of each Transporter.

- 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 NTS is not aware of any implications but would welcome responses from Users in this area.

- b) **The development and capital cost and operating cost implications**

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

- 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 NTS is not aware of any implications but would welcome response from Users in this area.

- 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 NTS is not aware of any implications but would welcome responses from Users 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 considers that this Proposal:

- would allow National Grid NTS the flexibility to release additional Interruptible NTS Entry Capacity in response to market requirements.
- would allow Users the opportunity to secure additional Interruptible NTS Entry Capacity, thereby allowing gas flows onto the system that may otherwise be prevented;
- could be implemented ahead of this Winter.

Disadvantages

National Grid NTS is unaware of any disadvantages of this Proposal.

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

To be advised

16 Suggested Text

Transportation Principal Document Section B

Section B, paragraph 2.5.10 to read as follows:

“For the purposes of this paragraph 2.5 the “**Available Interruptible Capacity** “ in respect of an Aggregate System Entry Point for any Day is:

- (a) an amount of NTS Entry Capacity equal to the daily average unutilised firm capacity; and
- (b) an amount of NTS Entry Capacity (if any) additional to that in (a) which National Grid NTS determines, in its sole discretion, shall be made available.”

Code Concerned, sections and paragraphs

Uniform Network Code

Transition Document

Section(s) UNC TPD Section B

Proposer's Representative

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