

**Modification Report**  
**National Grid NTS discretionary release of Interruptible NTS Entry Capacity**  
**Modification Reference Number 0159**  
**Version 3.0**

This Draft Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

**1 The Modification 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.

**Suggested Text**

**UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL  
DOCUMENT**

**SECTION B – SYSTEM USE AND CAPACITY**

*Section B, paragraph 2.5.10 to read as follows:*

“2.5.10 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.”

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

*Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;*

Implementation 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 achievement of this objective.

*Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:*

- (i) *between relevant shippers;....*

Implementation would facilitate the achievement of this objective by use of a pay-as-bid auction for the allocation of any additional Interruptible NTS Entry Capacity.

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

Implementation 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 the Modification Proposal, including:**

**a) Implications for operation of the System:**

Implementation would not adversely affect the operation of the System. By optimising the release of Interruptible NTS Entry Capacity, implementation of this Proposal would provide Users with a greater opportunity to ensure gas supplies can be delivered.

**b) Development and capital cost and operating cost implications:**

Implementation would have no capital cost or operating cost implications.

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

No specific cost recovery proposal is proposed. Existing mechanisms will apply to any additional income through sales of Interruptible Entry Capacity.

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

No such consequences have been identified.

**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**

No such consequence has been identified.

**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**

No such implications have been identified.

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

*Administrative and operational implications (including impact upon manual processes and procedures)*

No such implications have been identified.

*Development and capital cost and operating cost implications*

Availability of additional quantities of Interruptible Entry Capacity would be expected to reduce the operational costs of Users that wish to deliver gas at that ASEP.

*Consequence for the level of contractual risk of Users*

Implementation would be expected to reduce the current risk to Users of gas being stranded at ASEPs.

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

Terminal Operators at the affected ASEPs would be expected to benefit from any additional Interruptible Entry Capacity made available as a result of implementation.

**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**

Implementation:

- 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 take place prior to Winter 2007/8;
- encouragement of the delivery of marginal supplies of gas into the system on high demand days may reduce the impact of price spikes to the benefit of shippers and consumers.

### **Disadvantages**

No disadvantages have been identified.

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

Representations were received from the following:

BP Gas Marketing	(BPG)	Support
British Gas Trading	(BGT)	Support
Centrica Storage Limited	(CSL)	Support
ConocoPhillips	(CoP)	Not in Support
EDF Energy	(EDF)	Support
E.ON UK	(E.ON)	Support
ExxonMobil	(EXX)	Support
Gaz de France ESS	(GDF)	Support
National Grid Distribution	(NG UKD)	Support
National Grid NTS	(NG NTS)	Support

Thus nine respondents supported implementation, and one did not support implementation.

Some respondents observed that it was not immediately clear if this proposal will help deliver capacity release at or very close to network capability, and commented that more information should be made available.

Two respondents were concerned that the release of additional interruptible capacity by NG NTS would be entirely discretionary and felt that provision of a methodology statement would assist in providing certainty and transparency in relation to the incremental amounts that are likely to be offered.

CoP believed that implementation is inappropriate at this time, and should be

considered under the wider review/development of the entry capacity regime.

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

No such requirement has been identified.

**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**

No such requirement has been identified.

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

No programme for works has been identified.

**15 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)**

This Proposal could be implemented immediately following a direction from the Authority. An implementation date of 1 September 2007 has been suggested.

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

No such implications have been identified.

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

At the Modification Panel meeting held on 16 August 2007, of the 8 Voting Members present, capable of casting 9 votes, 9 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal.

**18 Transporter's Proposal**

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

**19 Text**

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For and on behalf of the Relevant Gas Transporters:

**Tim Davis**  
**Chief Executive, Joint Office of Gas Transporters**