

Draft Modification Report
National Grid NTS discretionary release of Interruptible NTS Entry Capacity
Modification Reference Number 0159
Version 1.0

This Draft Modification Report is made pursuant to Rule 9.1 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.

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)

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

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

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

The Modification Panel did not direct that text be provided. The Proposer provided Suggested Text as part of the Proposal.

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

For and on behalf of the Relevant Gas Transporters:

Tim Davis
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