

**CODE MODIFICATION PROPOSAL No 0170**  
**User Admission Requirements for Applicant Shippers Who Solely Wish to Participate**  
**in Long Term Entry Capacity Auctions**  
**Version 1.0**

**Date:** 04/09/2007

**Proposed Implementation Date:** 16/09/07

**Urgency:** Urgent

**1 The Modification Proposal**

**a) Nature and Purpose of this Proposal**

**Nature of Proposal**

It is proposed that an Applicant User who wishes to become a User solely for the purposes of bidding for NTS Entry Capacity in the September QSEC Auctions will be permitted to bid immediately upon application to the Transporter.

It is further proposed that the Applicant User will:

1. Be required to indicate agreement to be bound by the Code upon accession.
2. Have the minimum User rights in order to participate by facsimile in the September QSEC auction but have no rights
  - a. Of access to UK Link Equipment or Software
  - b. To raise Modification Proposals

**Purpose of Proposal**

Both the National Grid and OFGEM have now indicated that they consider it important that all potential users of entry capacity should participate in this auction in order to both assist National Grid in their investment planning and as an input into the Consultation now being conducted by OFGEM with regard to setting new baseline entry capacities.

There are a number of potential customers of long term entry capacity who are not Users because they do not currently ship gas and have no intention of doing so in the immediate future. TPD Sections B2.2.9 and B2.2.10 relate to capacities which will only become available a minimum of 18 months into the future.

The requirements of TPD Section 2.1.2 are based on what is necessary to become an immediate shipper of gas in the NTS. xoserve quote a minimum lead time of 4 months to comply with these requirements, which would preclude a User applicant from participating in the 2007 QESC.

However the necessary requirements for solely participating in the QESC are more limited and can be put in place in 5 working days.

This proposed modification therefore aims to identify these more limited requirements to enable more potential Applicant Users to participate in the QESC.

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

The Proposer requests that the Authority grants Urgent status for this Modification Proposal on the basis that:

**1. *There is a real likelihood of significant commercial impact upon GT's, Shippers or Customers if a proposed modification is not urgent;***

It believes that, if this Proposal is implemented ahead of the September 2007 QSEC auctions, it will provide Applicant Users with the ability to participate in these auctions. Therefore, this should allow such Users to commit to holding of capacity at an early stage and provide investment signals to National Grid NTS.

**3. *The proposal is linked to an imminent date related event.***

It believes that Urgent status is required in order to implement this Proposal in advance of the September 2007 QSEC Auctions scheduled to take place between 17 and 28 September 2007.

It is proposed that the following timetable be adopted:

Sent to Ofgem requesting Urgency	04/09/07
Ofgem grant Urgent status	05/09/07
Proposal issued for consultation	05/09/07
Close-out for representations (3 Business Days)	10/09/07
FMR issued by Joint Office	11/09/07
Modification Panel decide upon recommendation	13/09/07
Ofgem decision expected	14/09/07
Proposed implementation date	15/09/07

**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.**

It is recommended that this Proposal proceed to the Consultation Phase in accordance with Urgent procedures.

**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**

**Standard Special Condition A11.1 (a): the efficient and economic operation of**

**the pipe-line system to which this licence relates;**

Implementation would assist in ensuring that firm ASEP capacity was available at the earliest stage so that prospective new sources of gas, including gas from new Storage Facilities, could be admitted to the System under firm capacity arrangements. This would extend the sources of gas available to the market and potentially reduce the requirement for National Grid NTS to take Eligible Balancing Actions and thereby facilitate the achievement of this objective.

**Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;**

Implementation would provide National Grid NTS with early signals of capacity required at ASEPs through the QSEC auctions. This would assist National Grid NTS in making investment decisions in accordance with its licence and thereby 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 remove the current obligations on Applicant Users to provide security and on the Transporters to provide systems and enact User set-up processes prior to them being required. The timescale involved in normal User set-up can be considered a barrier to entry of new shippers. Implementation, by allowing Users to participate in QSEC auctions at an earlier stage would remove this barrier to entry and thus facilitate the achievement of this objective.

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

By facilitating earlier entry of new sources of gas under firm capacity arrangements, implementation would be expected to benefit security of supply.

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

**a) The implications for operation of the System:**

Minor implications on processes for User Admission would be expected. In bringing forward new sources of gas under firm capacity arrangements, implementation would be expected to be beneficial for the market and reduce the requirement for National Grid NTS to take Eligible Balancing Actions.

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

Implementation would be expected to assist National Grid NTS in planning investment and thus provide capital benefits.

- 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:**

No specific proposal for recovery of costs is proposed.

- 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**

No such consequence has been identified.

- 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)**

No such requirement has been identified.

- 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**

It is believed that any such implications would be minor.

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

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

Implementation would simplify the earlier processes involved with User Accession if the Applicant User only wished, initially, to secure Entry Capacity.

No adverse implications have been identified for existing Users.

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

For Applicant Users, lower development and operating costs, in the earlier stages of application would result from implementation.

No adverse implications have been identified for existing Users and the earlier availability of further sources of gas to the market would be expected to benefit all 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**

No adverse consequences have been identified.

**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)**

By securing earlier rights to firm capacity, implementation would be expected to benefit the associated Producers and Storage Operators.

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

No such consequences have been identified.

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

**Advantages**

- Provide Applicant Users with an earlier opportunity to secure capacity at the relevant ASEP
- Improve signals of capacity requirements to National Grid NTS.

**Disadvantages**

No disadvantages have been identified.

**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)**

No such representations have been received.

**12 Detail of all other representations received and considered by the Proposer**

No such representations have been received.

**13 Any other matter the Proposer considers needs to be addressed**

None

**14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal**

It is recommended that this Proposal be implemented immediately following approval by the Authority.

**15 Comments on Suggested Text**

None

**16 Suggested Text**

**UNIFORM NETWORK CODE- TRANSPORTATION PRINCIPAL  
DOCUMENT**

**SECTION V - GENERAL**

*Add new paragraph V2.1.5 to read as follows:*

2.1.5 An Applicant User who wishes to become a User solely for the purposes of bidding for NTS Entry Capacity offered by the National Grid NTS pursuant solely to TPD Sections B.2.1.4 (a) and B.2.2. 1 (d) will be designated to be a “Long Term Entry Capacity Applicant User”. A Long Term Entry Capacity Applicant User;

- (a) Need not satisfy the User admission requirements set out in Section V 2.1.2 (d), (e), (g) and (h).
- (b) Will have no access to UK Link User Equipment or Software
- (c) May only make entry capacity auction bids direct to the National Grid NTS by facsimile in accordance with the timetables set out in TPD Sections B2.2.9 and B2.2.10
- (d) Will be allocated a unique User ID by “Xoserve” to enable National Grid to enter auction bids in the Xoserve “Gemini” system in respect of facsimile bids made by the Long Term Entry Capacity User
- (e) May not propose UNC modifications.

*Amend paragraph 2.2.1 to read as follows:*

2.2.1 The Applicant User will become a User with effect from the Day (“**User Accession Date**”) which is 3 Business Days after satisfaction of the last of the requirements under paragraphs 2.1.1 and 2.1.2 to be satisfied. The Long Term Entry Capacity Applicant User will become a Long Term Entry Capacity User with effect from the Day (“**Long Term Entry Capacity User Accession Date**”) which is one Business Day after the satisfaction of the last of the requirements under paragraphs 2.1.1, 2.1.2 and 2.1.5 to be satisfied.

**Code Concerned, sections and paragraphs**

Uniform Network Code

Transportation Principal Document

**Section(s)** V - General

**Proposer's Representative**

Nick Wye – Waters Wye Associates Ltd

**Proposer**

Joint Office of Gas Transporters  
0170: User Admission Requirements for Applicant Shippers Who Solely Wish to Participate in Long Term  
Entry Capacity Auctions

Gareth Roberts - Macquarie Bank Ltd