

CODE MODIFICATION PROPOSAL No 0216
Introduction of an Additional Discretionary Release Mechanism for NTS Entry
Capacity
Version 1.0

Date: 09/05/2008

Proposed Implementation Date: 01/08/2008

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.

Under the current Uniform Network Code* (UNC) arrangements National Grid NTS must make Unsold NTS Entry Capacity* available to Users* subject to a market test. National Grid NTS may also, at its own discretion, make additional Quarterly NTS Entry Capacity* and additional Daily NTS Entry Capacity* (i.e. in addition to Unsold NTS Entry Capacity*) available at an Aggregate System Entry Point*.

National Grid NTS does not propose to change the above arrangements, however these arrangements whilst providing National Grid NTS with a degree of flexibility in releasing NTS Entry capacity to the market also limit when and how that capacity may be released.

National Grid NTS proposes that the UNC be amended to enable National Grid NTS to introduce an additional capacity release mechanism, primarily to release additional NTS Entry Capacity outside of and in addition to the existing Quarterly and Daily auction mechanisms that are currently in place, although under certain circumstances National Grid NTS can envisage that there may also be an associated release of Unsold NTS Entry Capacity.

It is further proposed that any such release of NTS Entry Capacity shall:

- be at the sole discretion of National Grid NTS.
- be subject to the application of a Reserve Price*. For clarification this will be the prevailing AMSEC auction Reserve Price (for each ASEP/s at which the NTS Entry Capacity is released) as specified in the Statement of Gas Transmission Charges.
- be applied solely within that Capacity Year*

- be subject to the provisions of UNC Section V3

For the avoidance of doubt Users will pay Capacity Charges for the capacity allocated through this process i.e. quantity of NTS Entry Capacity allocated multiplied by the bid price tendered multiplied by the relevant period for which capacity has been allocated.

For the avoidance of doubt, any NTS Entry Capacity allocated through this process shall be considered in respect of overruns.

- Allocated capacity shall be included in the User's aggregate Available NTS Entry Capacity* to determine the Overrun Quantity*.
- Bid prices (in respect of satisfied bids) shall be considered determination of System Entry Overrun Charge* rates at the ASEP where the allocation is made.

Please note that implementation of this Proposal may require National Grid NTS to amend the following:

- 'The Statement of Gas Transmission Charges' and
- 'The Statement of the Gas Transmission Transportation Charging Methodology'

For clarity, if amendments to the above statements are required National Grid NTS will not release NTS Entry Capacity other than through those auction mechanisms that currently allow such a release, until such amendments have been completed.

National Grid NTS will no later than 2 (two) Business Days prior to the first day for which applications for capacity have been made, inform each User of those of its capacity bids that have been accepted, the amount of NTS Entry Capacity which it is registered as holding for the ASEP and the relevant period (for clarification the relevant period will be the period for which the capacity has been allocated).

And no later than one Business Day prior to the first day for which applications for capacity have been made, National Grid NTS will provide information to all Users in accordance with UNC Section B paragraph 2.14.2 other than sub paragraphs (b) and (h).

While not forming part of the proposal, National Grid anticipates that any such release would:

- be subject to a market test mechanism (for clarification National Grid NTS anticipates that this would be a pay as bid auction), with a separate set of Terms and Conditions (in the same way as options tenders are). These Terms and Conditions would:
 - be made available by National Grid NTS a minimum of seven (7)

days prior to any release of NTS Entry Capacity. For clarification the Terms and Conditions would be made available as part of the invitation process.

- be accepted by Users. For clarification the Terms and Conditions will contain the business rules applicable to that release of NTS Entry Capacity. Users will be required to accept the Terms and Conditions prior to participating in the capacity release mechanism.

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

Not 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 has discussed this Proposal at two Transmission Workstreams and seeks for this Modification Proposal to proceed direct to consultation in accordance with Section 7.9 of the modification procedures in the UNC.

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 NTS Entry Capacity release arrangements to allow National Grid NTS to release additional 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.
- 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 market test mechanism for the allocation of additional 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 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 physical operation of the System. By optimizing the release of NTS Entry Capacity*, implementation of this Proposal would provide Users with a greater opportunity to ensure gas supplies can be delivered at the earliest opportunity.

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

National Grid NTS believes this Proposal, if implemented may have cost implications with regards to system implementation and operating costs.

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 these costs are internal to National Grid NTS and will be recovered through the existing charging regime.

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 will have no material 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)

Not applicable

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 envisages that this Proposal, if implemented, will have an impact on the both the Gemini and UK Link systems. We would request that any such impact be assessed by xoserve.

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 such 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 such 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 such implications but would welcome responses 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

National Grid NTS is not aware of any such consequences

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 facilitate additional flexibility in making additional NTS Entry Capacity available to the market
- would allow Users the opportunity to secure additional NTS Entry Capacity, therefore allowing gas flows onto the system that may otherwise be prevented

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)

Written representations are now sought in respect of this Proposal

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

None

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

This Proposal could be implemented immediately following a direction from the Authority.

15 Comments on Suggested Text

To be advised

16 Suggested Text

To be advised

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) Section B

Proposer's Representative

Fergus Healy (National Grid NTS)

Proposer

National Grid NTS