

Draft Modification Report
Delaying the implementation of the Ad-hoc application principle of the enduring
offtake arrangements
Modification Reference Number 0241
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 Uniform Network Code* (UNC). This includes words and phrases used within Modification Proposal 195AV.*

This Modification Proposal* covers the delay of Ad-hoc Applications (as detailed in section B3.2.3(b) of the 0195AV legal text) whereby a User* can obtain Enduring Annual NTS Exit (Flat) Capacity* for utilisation from 01 October 2012. The proposed delay would be from a start date of 01 April 2009 to a start date of 01 October 2009. Future Ad-hoc Applications are not affected by this proposal and therefore Ad-hoc Applications may be made at any time between 01 October 2009 and 30 June 2010 and within the same period each year thereafter. All enduring NTS Exit Capacity* bookings begin from the 01 October 2012 (this remains unchanged) therefore the proposed delay from 01 April 2009 to 01 October 2009 is not expected to impact booking opportunities. Furthermore the proposed delay is more compatible with the Exit Capacity Release Methodology Statement* timeline in that it only allows applications to be made after rather than before the ExCR is approved.

Modification* 0195AV will introduce enduring NTS Offtake arrangements:

- As part of these arrangements, Users will be granted an initial amount of Enduring Annual Exit (Flat) Capacity based on the sum of their maximum Firm* and Interruptible* Capacity held in Gas Year (07/08) at each NTS Exit Point*. Users will be notified of their initial Enduring Annual Exit (Flat) Capacity no later than 01 May 2009
- Users will be able to apply for Enduring Annual NTS Exit (Flat) Capacity rights at any New* or existing NTS Exit Point during a July Annual Application Window * in Gas Year* (Yn) for use from Gas Year Yn+4, Yn+5 or Yn+6 onwards.
- Users will also be able to apply for Enduring Annual NTS Exit (Flat) Capacity rights at any New or existing NTS Exit Points via Ad-hoc Applications which can be made within the period 01 October to 30 June each year

It should be stressed that all of the above bookings are for NTS Exit Capacity which are effective from 01 October 2012, when the enduring period begins.

National Grid NTS proposes that the first period (01 April 2009 to 30 June 2009) whereby a User can make an Ad-hoc Application, as outlined above, is delayed. Please note a User may still apply via an Ad-hoc Application in 2009 (from 01 October 2009 to June 2010) and for the same period in each year after. This would be a permanent change to take effect from 01 April 2009.

National Grid NTS believes that this delay would be beneficial because:

- It would better fit the ExCR timeline, whereby the ExCR Methodology Statement is not submitted until the 01 April 2009 and is therefore not approved. The 0195AV legal text application and allocation rules refer to the ExCR in numerous places and without this delay Ad-hoc applications could be made prior to the ExCR being approved.
- It would seem appropriate to hold an Annual Application prior to an Ad-hoc Application.
- This would avoid Users making Ad-hoc applications prior to knowing their actual initial holdings which are not released until 01 May 2009.
- The following timetable would lead to a more phased timing of applications for 2009; the enduring processes would then apply for each year thereafter.

Initialisation of Enduring Annual NTS Exit (Flat) Capacity holdings as at 01 May 09 (capacity to begin from 01 October 2012)

Applications for new or additional capacity in the July Application Window each year from 2009 onwards for Enduring Annual NTS Exit (Flat) Capacity (capacity to begin from 01 October 2012)

Applications to acquire new or additional Enduring Annual NTS Exit (Flat) Capacity via Ad-hoc Applications in 2009 (01 October 09 to 30 June 10). Ad-hoc Applications could then be submitted between 01 October and 30 June each year thereafter.

National Grid NTS believes that it would not be reducing any application opportunities and there would be no disadvantage to this delay because:

All exit capacity booked does not begin until 01 October 2012, a further three years away, when the Enduring period begins. Any Ad-hoc Application submitted prior to July 09 could only apply from 01 October 2012, therefore the July 09 Application Window will provide the same opportunity.

Suggested Text

None provided.

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 avoid Applications being submitted prior to Users receiving notification of their Initial Enduring Annual NTS Exit (Flat) Capacity and therefore avoid the potential for inefficient or unnecessary user

commitment signals being received.

Standard Special Condition A11.1 (b): so far as is consistent with subparagraph (a), the coordinated, efficient and economic operation of

(i) the combined pipe-line system, and/ or

(ii) the pipe-line system of one or more other relevant gas transporters;

Implementation would not be expected to better facilitate this relevant 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 not be expected to better facilitate this relevant objective.

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

between relevant shippers;

between relevant suppliers; and/or

between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

Implementation would avoid Applications being submitted prior to the ExCR (and the associated rules within it) being approved. This would be expected to facilitate the achievement of this Relevant Objective.

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

Implementation might benefit operation of the Total System* due to the capacity booking windows being made available in a more timely order. The

July window would be followed by the October Ad-hoc window each year. The first year would follow the same pattern without being out of synchronisation with all the remaining years.

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

a) Implications for operation of the System:

Operation of the system* would not be adversely affected. It could prove beneficial to the operation of the system, as capacity would be booked in a more timely order, i.e. not booked before the initial holdings were known.

b) Development and capital cost and operating cost implications:

No cost implications have been identified.

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

Not applicable.

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

Not applicable.

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 consequences have 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

Not applicable.

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 administrative or operational implications by delaying the Ad-hoc Applications until 01 October 2009 have been identified. Capacity for 01 October 2012 would be available through the initial holdings released, and can be booked via the July 2009 Application window.

Development and capital cost and operating cost implications

No development, capital or operating cost implications have been identified..

Consequence for the level of contractual risk of Users

No consequences on the level of contractual risk have been identified.

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

No consequences of the implementation for other relevant persons have been identified.

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

- This delay would better reflect the ExCR timeline with the timescale allowing applications to be made after the methodology statement is approved. Without this delay any Ad-hoc Applications made in April, May and June of 2009 would be made without the ExCR being approved and as such the rules contained within the Methodology statement not being defined.
- Users would acquire their initial holdings prior to being able to apply for further capacity bookings through the various windows. Therefore bookings would be made with the knowledge of their capacity holdings.
- The 2009 July window would be the first window whereby Users can acquire further capacity for 01 October 2012. The next Ad-hoc window (October to June) would then follow in October 2009 .This would begin the flow to acquire capacity in a more timely way for the year, i.e. July window then Ad-hoc in the October.

Disadvantages

- None 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

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

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

Implementation is not 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.

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

No programme for works would be required as a consequence of implementing the Modification Proposal.

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

This Proposal could be implemented with immediate effect following direction from Ofgem.

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

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

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

18 Transporter's Proposal

19 Text

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

Chief Executive, Joint Office of Gas Transporters