

06 November 2009

Dear Colleague,

**NOTICE OF IMPLEMENTATION
MODIFICATION PROPOSAL No: 0260**

"Revision of the Post-emergency Claims Arrangements"

Please note that Modification Proposal No 0260 will be implemented with effect from 06:00 hours on 01 December 2009. The Final Modification Report, Version 3.0, was signed by Ofgem on 05 November 2009.

The new Code text resulting from this Modification follows:

Modified Text:

TPD Section F

Amend paragraph 4.4.2(f) to read as follows:

“the amounts received by National Grid NTS from Users pursuant to Section Q6.2 or Section Q6.3 in respect of Users’ Emergency Curtailment Quantity relating to that Day or any revisions thereto;”

Amend paragraph 4.4.2(g) to read as follows:

“the amounts received by National Grid NTS from Users pursuant to Section Q7.2 relating to that Day; and”

Add a new paragraph 4.4.2(h) to read as follows:

“the amount (if any) by which the aggregate amount of all Post-Emergency Claims Charges received by National Grid NTS in respect of a Day exceeds the aggregate amount of all Post-Emergency Claims Payments paid by National Grid NTS in respect of that Day, in each case pursuant to Section Q4.5.”

Amend paragraph 4.4.3(c) to read as follows:

“the amounts payable by National Grid NTS to Users pursuant to Section Q6.2 or Section Q6.3 in respect of Users’ Emergency Curtailment Quantity relating to that Day or any revisions thereto;”

Amend paragraph 4.4.3(d) to read as follows:

“the amounts payable by National Grid NTS to Users pursuant to Section Q7.2 relating to that Day; and”

Add a new paragraph 4.4.3(e) to read as follows:

“the amount (if any) by which the aggregate amount of all Post-Emergency Claims Payments paid by National Grid NTS in respect of a Day exceeds the aggregate amount of all Post-Emergency Claims Charges received by National Grid NTS in respect of that Day, in each case pursuant to Section Q4.5.”

TPD Section Q

Add new paragraph 4.2.7 to read as follows:

“The provisions of paragraph 4.5 shall apply in relation to any claim made by a claimant pursuant to paragraph 4.2.6.”

Add new paragraph 4.5 to read as follows:

“4.5 Post Emergency Claims Validation Process

4.5.1 The provisions of this paragraph 4.5 apply in relation to any claim (a “**Post-Emergency Claim**”) submitted by a claimant pursuant to paragraph 4.2.6.

4.5.2 In relation to any Day during a Gas Deficit Emergency (at Stage 2 or higher) for which a claimant wishes to submit a Post-Emergency Claim, the claimant must have posted a Market Offer to effect a Physical Market Transaction (by means of a Disposing Trade Nomination) on the Trading System for such Day prior to a Stage 5 (Restoration) being declared (if applicable). In relation to the Market Offer (in respect of the Physical Market Transaction) posted by the claimant:

- (a) for the purposes of this Section Q, the claimant must have stated the Market Transaction Lead Time as one (1) hour when placing the relevant Market Offer;
- (b) the claimant must have stated the Market Transaction Quantity and not the Market Offer Specified Rate;
- (c) the claimant must have specified that the Market Offer is not an Option Market Offer;
- (d) the claimant may have indicated that the Market Offer is capable of partial acceptance; and
- (e) the Market Offer must have remained unaccepted on the Trading System for the duration of the Day in question.

4.5.3 In addition, the claimant may only submit a Post-Emergency Claim in respect of a Day for which the claimant had a positive Daily Imbalance quantity.

- 4.5.4 The Trading System Operator will provide the market with a calculation of an indicative volume weighted average price of all Market Offers (in respect of the Physical Market Transactions) for each Day during a Gas Deficit Emergency. The indicative volume weighted average price will be updated and published on the relevant Day by the Trading System Operator on a reasonable endeavours basis whenever a Market Offer (in respect of a Physical Market Transaction) is registered, updated, withdrawn from, or accepted on, the Trading System.
- 4.5.5 The Trading System Operator will notify National Grid NTS of the details of all Market Offers (in respect of Physical Market Transactions) that were remaining unaccepted on the Trading System at the close of the Day(s) for the duration of the Gas Deficit Emergency period.
- (a) These details will include:
- (i) identity of the Originating Participant;
 - (ii) Market Transaction ID;
 - (iii) Market Offer Date;
 - (iv) date and time of the Market Offer was made;
 - (v) Market Transaction Quantity;
 - (vi) Market Offer Price;
 - (vii) Market Transaction Type; and
 - (viii) whether the Originating Participant would be making an Acquiring or a Disposing Trade Nomination pursuant to any Market Transaction arising from the Market Offer;
- (b) The Trading System Operator will submit the details of the Market Offers (in respect of Physical Market Transactions) posted but not accepted for the relevant Day to National Grid NTS by 07:00 on the Day following each relevant Day for which a Gas Deficit Emergency (Stage 2 or higher) had been declared.
- 4.5.6 A User may submit a Post-Emergency Claim to National Grid NTS in respect of any Day during a Gas Deficit Emergency (Stage 2 or higher) provided that each Post-Emergency Claim will relate to a single Market Offer (in respect of a Physical Market Transaction) that complies with the requirements of paragraph 4.5.2.
- 4.5.7 A User must submit a Post-Emergency Claim to National Grid NTS within six (6) Days following the Day to which the Post-Emergency Claim relates (the “**Post-Emergency Claims Closeout Date**”). Any Post-Emergency Claims received by National Grid NTS after the Post-Emergency Claims Closeout Date will be rejected.
- 4.5.8 For each Post-Emergency Claim (for each relevant Day), the User will provide the following mandatory details of:

- (a) User name and User identifier in relation to the Trading System; Market Transaction ID; Day; claimed quantity; Market Offer Price; time posted on the Trading System;
- (b) the Eligible Trading System Point(s) that would have been associated to the Market Offer(s) had it become a Physical Market Transaction;
- (c) for each Eligible Trading System Point provided in (b), the nominated end-of-day quantity for that Day (at the time the Market Offer was placed);
- (d) for each Eligible Trading System Point that would have been associated to a System Exit Point, a copy of either the notification pertaining to the reduction of offtake at Firm Supply Points or the Interruption Notice. For the avoidance of doubt, a Post-Emergency Claim will be rejected where the System Exit Point had been previously subject to Emergency Curtailment for the relevant Day during the period of the Gas Deficit Emergency; and
- (e) reasonable justification for the level of the Market Offer Price.

4.5.9 For the purposes of reviewing claims submitted by each claimant, National Grid NTS appoints the Transporter Agency as the claims reviewer (the “**Post-Emergency Claims Agent**”) to undertake the validation of all claims.

4.5.10 In order for a Post-Emergency Claim to be deemed as valid:

- (a) all of the requirements of paragraphs 4.5.2, 4.5.3, 4.5.6, 4.5.7 and 4.5.8 must have been satisfied;
- (b) where the Eligible Trading System Point to which the Market Offer relates is a System Exit Point, the Market Offer must have been registered on the Trading System before the time at which a Gas Deficit Emergency Stage 4 (Allocation and Isolation) is declared (and the Trading System’s time stamp information shall be taken as conclusive evidence of the time at which the Market Offer was registered);
- (c) in all other circumstances, the Market Offer must have been registered on the Trading System before the time at which a Gas Deficit Emergency Stage 5 (Restoration) is declared (and the Trading System’s time stamp information shall be taken as conclusive evidence of the time at which the Market Offer was registered); and
- (d) the User must be a Registered User at the System Point in respect of which the Market Offer is made.

Any claim which does not comply with the above requirements shall be rejected.

4.5.11 Where a User submits one or more Post-Emergency Claims for a relevant Day (within a Gas Deficit Emergency (Stage 2 or higher)), and the aggregate Market Transaction Quantities for all such Post-Emergency Claims submitted

by the User exceeds the User's positive Daily Imbalance in respect of that Day then, for each User:

- (a) the User's Post Emergency Claims for that Day will be ranked in ascending Market Offer Price order (with the claim having the lowest Market Offer Price being ranked first) and where two or more Post-Emergency Claims relate to Market Offers at the same Market Offer Price, such claims shall be ranked by time (with the claim having the earliest registered Market Offer Price being ranked first, and the Trading System's time stamp information shall be taken as conclusive evidence of the time at which the Market Offer was registered);
- (b) the first ranked Post Emergency Claim shall be considered first and where the Market Transaction Quantity specified in that Post Emergency Claim is less than or equal to the User's positive Daily Imbalance for that Day, then the claim shall be remain valid, and the next ranked Post Emergency Claim shall be considered on the same basis, and this process of consideration shall continue until the first Post Emergency Claim is reached (the "**First Non-Qualifying Post-Emergency Claim**") where the Market Transaction Quantity of such claim plus the sum of the Market Transaction Quantities in all of the User's Post-Emergency Claims for that Day that have been considered pursuant to this paragraph prior to the First Non-Qualifying Post-Emergency Claim being considered is greater than the User's positive Daily Imbalance for that Day;
- (c) the Market Transaction Quantity of the First Non-Qualifying Post-Emergency Claim shall, for the purposes of the remainder of this paragraph 4.5, be reduced such that, when added to the sum of the Market Transaction Quantities in all of the User's Post-Emergency Claims for that Day that have been considered pursuant to paragraph (b) prior to the First Non-Qualifying Post-Emergency Claim being considered, it is equal to the User's positive Daily Imbalance for that Day; and
- (d) all of the User's Post-Emergency Claims that are ranked after the First Non-Qualifying Post-Emergency Claim shall be rejected and deemed invalid for the purposes of the remainder of this paragraph 4.5.

4.5.12 Following validation of Post-Emergency Claims by the Post-Emergency Claims Agent, National Grid NTS (or the Post-Emergency Claims Agent on its behalf) will then determine which of the remaining valid Post-Emergency Claims should be submitted to the Authority as being recommended for payment or as being subject to further economic assessment. To determine the recommendation in respect of each remaining valid Post-Emergency Claim:

- (a) remaining valid Post-Emergency Claims will be ordered by Market Offer Price (with the claim having the lowest Market Offer Price being first) and where two or more Post-Emergency Claims relate to Market Offers at the same Market Offer Price, such claims shall be ordered by time (with the claim having the earliest registered Market Offer Price being first, and the Trading System's time stamp information shall be

taken as conclusive evidence of the time at which the Market Offer was registered);

- (b) each remaining valid Post-Emergency Claim will then be considered in turn in the order referred to above. Where the Market Transaction Quantity of the claim under consideration plus the aggregate Market Transaction Quantity of all other claims that have (prior to the consideration of the Post-Emergency Claim in question) been allocated a status of “recommended for payment” is less than or equal to 80% of the aggregate Market Transaction Quantities in all valid Post-Emergency Claims (taking account of any reduced Market Transaction Quantities, if applicable, in accordance with paragraph 4.5.11), then the Post-Emergency Claim in question shall be allocated a status of “recommended for payment”, otherwise the Post-Emergency Claim in question (and all Post-Emergency Claims yet to be considered) shall be allocated a status of “subject to economic price assessment”.

4.5.13 National Grid NTS will submit all remaining valid Post-Emergency Claims (being those allocated a status of “recommended for payment” and those allocated a status of “subject to economic price assessment”) together with their status, to the Authority for its consideration (TPD Section Q.4.2.6 (e)) in a single batch on a given date (the “**Post-Emergency Claims Review Date**”). National Grid shall use reasonable endeavours to ensure that the Post-Emergency Claims Review Date is not more than ten (10) Business Days after the fifteenth (15th) day of the month following the month in which the Day in question falls; provided that where a Gas Deficit Emergency spans multiple Billing Periods, National Grid NTS will submit the validated Post-Emergency Claims to the Authority in batches that are specific to each of the Billing Periods.

4.5.14 For each relevant Day and pursuant to Standard Special Condition A11(18) of National Grid NTS’s Gas Transporter’s Licence the Authority shall consider each validated Post-Emergency Claim submitted to it by National Grid NTS and shall thereafter advise National Grid NTS as to whether the Authority directs that the Post-Emergency Claim should be paid or not (and if it does direct that the Post-Emergency Claim should be paid, whether the Post-Emergency Claim should be paid at the Market Offer Price or at some other price). To the extent that the Authority has not given a direction in respect of a submitted Post Emergency Claim within twenty eight (28) days of the date of submission of such claim by National Grid NTS to the Authority for consideration, the Authority shall be deemed to have directed that such Post-Emergency Claim should be paid.

4.5.15 National Grid NTS will, not less than twenty nine (29) days after the Post-Emergency Claims Review Date (the “**Post-Emergency Claims Approval Date**”) calculate a volume weighted average price in pence per kWh (“**VWAPEC**”) for a Day based on all those Post-Emergency Claims that have been directed (or deemed to have been directed) by the Authority for payment. VWAPEC for a Day shall be calculated as follows:

$$((B - C) / A) / 100$$

Where:

A is the sum (expressed in kWh) of the Market Transaction Quantities of all Post-Emergency Claims that have been directed (or deemed to have been directed) by the Authority for payment (taking account of any reduced Market Transaction Quantity, if applicable, in accordance with paragraph 4.5.11);

B is the total aggregate amount (expressed in pounds sterling) payable as directed (or deemed to have been directed) by the Authority in relation to all those Post-Emergency Claims that have been directed (or deemed to have been directed) by the Authority for payment; and

C is the sum of A multiplied by the System Average Price (expressed in pounds sterling per kWh) for the Day in question.

- 4.5.16 Each User that has submitted a Post-Emergency Claim that has been directed (or deemed to have been directed) by the Authority for payment shall be paid by National Grid NTS an amount ("**Post-Emergency Claims Payment**") equal to the amount determined as:

$$A - (B * C)$$

Where:

A is the total amount (expressed in pounds sterling) payable as directed (or deemed to have been directed) by the Authority for payment in relation to that Post-Emergency Claim;

B is the Market Transaction Quantity (expressed in kWh) of the Post-Emergency Claim in question; and

C is the System Average Price (expressed in pounds sterling per kWh) for the Day in question.

- 4.5.17 Each User with a negative Daily Imbalance for a Day in respect of which one or more Post-Emergency Claims have been submitted and directed (or deemed to have been directed) by the Authority for payment shall pay an amount ("**Post-Emergency Claims Charge**") determined as the User's negative Daily Imbalance for that Day multiplied by VWAP in respect of that Day.
- 4.5.18 Post-Emergency Claims Charges and Post-Emergency Claims Payment for the relevant Day will be invoiced in accordance with TPD Section S2.4 and will be deemed to be Balancing Neutrality Charges for the purposes thereof.
- 4.5.19 In relation to each Day during a Gas Deficit Emergency (Stage 2 or higher), National Grid NTS will use reasonable endeavours to publish:
- (a) not later than ten (10) Business Days after the Post-Emergency Claims Closeout Date:
 - (i) in respect of each Post-Emergency Claim submitted:

- (1) the Day in respect of which the Post-Emergency Claim was submitted;
 - (2) the Market Transaction Quantity claimed; and
 - (3) the Market Offer Price claimed;
 - (ii) the volume weighted average price of all submitted Post-Emergency Claims for that Day;
 - (iii) in respect of each Post-Emergency Claim rejected pursuant to paragraph 4.5.10:
 - (1) the Day in respect of which the Post-Emergency Claim was submitted;
 - (2) the Market Transaction Quantity claimed;
 - (3) the Market Offer Price claimed; and
 - (4) the reason for the rejection of the Post-Emergency Claim;
- (b) not later than one (1) Business Day after the Post-Emergency Claims Review Date:
 - (i) in respect of each valid Post-Emergency Claim which was submitted to the Authority pursuant to paragraph 4.5.13:
 - (1) the Day in respect of which the Post-Emergency Claim was submitted;
 - (2) the Market Transaction Quantity claimed (reduced, if applicable, pursuant to paragraph 4.5.11); and
 - (3) the Market Offer Price claimed;
 - (ii) the volume weighted average price of all Post-Emergency Claims for that Day submitted to the Authority pursuant to paragraph 4.5.13;
 - (iii) in respect of each Post-Emergency Claim which was rejected pursuant to paragraph 4.5.11:
 - (1) the Day in respect of which the Post-Emergency Claim was submitted;
 - (2) the Market Transaction Quantity claimed;
 - (3) the Market Offer Price claimed; and
 - (4) the reason for the rejection of the Post-Emergency Claim;
- (c) not later than fifteen (15) Business Days after the Post-Emergency Claims Approval Date, a report for each relevant Day, specifying:

- (i) in respect of each Post-Emergency Claim that has been directed (or deemed to have been directed) by the Authority for payment, the Market Transaction Quantity directed (or deemed to have been directed) by the Authority, the Market Offer Price directed (or deemed to have been directed) by the Authority, and the total amount directed (or deemed to have been directed) by the Authority for payment in respect of such claim by National Grid NTS;
- (ii) the sum of the Market Transaction Quantities in relation to all Post-Emergency Claims that have been directed (or deemed to have been directed) by the Authority for payment;
- (iii) the sum of the Market Offer Prices in relation to all Post-Emergency Claims that have been directed (or deemed to have been directed) by the Authority for payment;
- (iv) VWAP for the Day; and
- (v) in respect of each Post-Emergency Claim that was submitted to the Authority pursuant to paragraph 4.5.13 and which the Authority has directed should not be paid, the Market Transaction Quantity (reduced, if applicable, pursuant to paragraph 4.5.11) and the Market Offer Price.”

Yours sincerely,

John Bradley
Modification Panel Secretary