

**Draft Modification Report**  
**Change System Capacity Transfers Notification Time Limit from 04:00 hours to 03:00 hours**  
**Modification Reference Number 0287**  
**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.*

### **Background**

The current UNC allows for Users\* to undertake a System Capacity Transfer\* for all or part of:

- their Available NTS Entry Capacity\* (in accordance with UNC TPD B5.1.1.(a))
- their Available Firm NTS Exit (Flat) Capacity\* (in accordance with UNC TPD B5.1.1.(b))

A System Capacity Transfer\* may be for any Day\* or consecutive Days within the period that the Transferor User\* holds such capacity. In order to complete the System Capacity Transfer, the Transferor User and the Transferee User\* are required under the UNC, to provide National Grid NTS\* with specific information.

Once the Transferor User and the Transferee User provide the information to National Grid NTS the System Capacity Transfer will be effective if, within the 60 minute window:

- the System Capacity Transfer is approved by National Grid NTS; or
- the System Capacity Transfer is not rejected by National Grid NTS.

UNC TPD B5.2.2 stipulates that Users are permitted to propose a System Capacity Transfer at any point during a Day but no later than 04:00 hours on the Day or first Day of the Transfer Period\* (the Notification Time Limit).

However, parts of the UK Link\* system (including Gemini), will not be operational at certain times and for certain periods ("**Planned UK Link Downtime\***"). The Planned UK Link Downtime occurs between 04:00 hours and 06:00 hours on each Day and directly impacts on National Grid NTS' ability to either approve or reject a System Capacity Transfer. By virtue of this downtime National Grid NTS will not have a 60 minute window to either approve or not reject the transfer.

The Planned UK Link Downtime is used to enable the Transporters to operate and maintain the UK Link System effectively and is essential to ensure the continued successful operation of the UK Link System.

### **Proposal**

National Grid NTS propose an amendment to the Notification Time Limit for System Capacity Transfers as outlined in UNC TPD B5.2.2 and B5.6.2(d). This will mean that any proposed System Capacity Transfer may now be notified by the Transferor User and the Transferee User no later than 03:00 hours on the Day or first Day of the Transfer Period. This will enable National Grid NTS to fully utilise the 60 minute window to either approve or reject the transfer prior to the Planned UK Link Downtime.

For clarification, National Grid NTS can only reject a System Capacity Transfer where:

- the Transferred System Capacity exceeds the Transferor User's Available System Capacity or
- the Transferor User or the Transferee User does not provide the required information to National Grid NTS in a timely fashion; or
- in accordance with UNC TPD V3.

To clarify the proposed changes to the 04:00 hour Notification Time Limit for System Capacity Transfers would be applicable to the Transfer of both NTS Entry Capacity and NTS Exit (Flat) Capacity.

In addition to the above, National Grid NTS also proposes an amendment to UNC TPD B5.2.5 to add further clarity:

Currently UNC TPD B5.2.5 states that:

“A System Capacity Transfer in respect of NTS Exit (Flat) Capacity for which the Transfer period is a Day may not be withdrawn by a User following notification to National Grid NTS”

This paragraph may be misconstrued as indicating that any System Capacity Transfer in respect of NTS Exit (Flat) Capacity that is for a Transfer Period longer than a Day may be withdrawn after it has been notified to National Grid NTS. National Grid NTS proposes that this be amended to reflect that a System Capacity Transfer in respect of NTS Exit (Flat) Capacity for any Transfer Period may not be withdrawn by either the Transferor User or the Transferee User following notification (i.e. by both parties) to National Grid NTS.

## 2

### User Pays

#### a) Classification of the Proposal as User Pays or not and justification for classification

It is the view of National Grid NTS that this Proposal is a change/addition to the service provided by xoserve and as such National Grid NTS is of the view that this is a User Pay Proposal.

National Grid NTS believes that this change will provide a small benefit for Shipper Users\* National Grid NTS is of the view that there is a clearly discernable benefit to National Grid NTS in that it would allow National Grid NTS to fully comply with its UNC obligations.

#### b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

Due to this Proposal requiring a change to the service offered by xoserve, for the exit transfer time change, National Grid NTS is of the view (as outlined above) that this is a User Pays Proposal, xoserve have confirmed that the 04:00 hour Notification time Limit whilst not a User configurable parameter can be amended as part of the data migration exercise of Phase 2 of the Exit Reform system implementation and as such can be done at zero cost.

National Grid NTS proposes due to the reasons outlined above, that the split of the recovery of Implementation Costs should be:

10% Shipper Users 90% Transporters

National Grid NTS proposes that the Shipper User element of the Implementation costs be recovered via a one off implementation charge that is met by those Shipper Users who have NTS Exit (Flat) Capacity holdings and would therefore benefit from this Proposal.

The Shipper User costs would be pro rated between Shipper Users based on their NTS Exit (Flat) Capacity holdings as a proportion of the total NTS Exit (Flat) Capacity holdings held by all Shipper Users as of the 1st October 2012 as registered by National Grid NTS on the implementation date of this Modification Proposal. These charges will be one off charge invoiced in the month following the introduction of the systems and processes that enable this change, in effect:

$$\frac{\text{Shipper User NTS Exit (Flat) Capacity holdings}}{\sum \text{all Shipper Users NTS Exit (Flat) Capacity holdings}} * \text{Shipper proportion of Implementation Costs}$$

**c) Proposed charge(s) for application of Users Pays charges to Shippers**

Any final individually invoiced amount will be subject to an assessment of the NTS Exit (Flat) Capacity held by Shipper Users for the 1 October 2012 on implementation of this Modification Proposal and the final system implementation costs. Utilising the current level of NTS Exit (Flat) Capacity held by Shipper Users (for the 1 October 2012) and the ROM Cost estimate provided by xoserve, gives the following cost:

Cost per unit of capacity held 0.0000p/kWh

**d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve**

Any charge applied will be based on the formula outlined in Section 2 b) above and will be dependent upon actual costs received from xoserve.

**3 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 pipeline system to which this licence relates;*

Implementation would be expected to facilitate this relevant objective for the following reason:

National Grid NTS would be able to consider the proposed System Capacity Transfer and reject where appropriate (under current UNC conditions). Therefore, it would better facilitate the economic, efficient operation of the NTS by allowing National Grid NTS to monitor whether a Transferor's User's Available System Capacity is not exceeded for either Firm

NTS Entry Capacity or NTS Exit (Flat) Capacity and assess the impact the Transfer has on the NTS.

***Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (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 sub-paragraphs (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 sub-paragraphs (a) to (c), the securing of effective competition:***

- (i) between relevant shippers;***
- (ii) between relevant suppliers; and/or***
- (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;***

Implementation would be expected to better facilitate this relevant objective for the following reason:

Under the current UNC rules those Shippers that notify National Grid NTS of a Transfer a 04:00 hours can do so without concern that National Grid NTS can reject the Transfer however those Shippers that notify National Grid NTS prior to 04:00 hours are not treated in the same way. Amending the Notification Time Limit ensures that all shipper Transfers will be treated in the same manner irrespective of the time at which they have notified National Grid NTS.

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

Implementation would be expected to facilitate this relevant objective for the following reasons:

- It would improve the efficiency in the administration of the UNC by clarifying the UNC rules with regards to the withdrawal of NTS Exit (Flat) Capacity transfers ensuring consistent treatment of withdrawal requests.
- It would also improve the efficiency in the administration of the UNC as this proposal

will enable National Grid NTS to fully utilise the 60 minute window to either approve or reject the transfer prior to the Planned UK link downtime.

A System Capacity Transfer may be for any Day or consecutive Days within the period that a Transferor User holds such capacity. In order to complete the System Capacity Transfer, the Transferor User and the Transferee User are required under the UNC, to provide National Grid NTS\* with specific information.

Once the Transferor User and the Transferee User provide the information to National Grid NTS the System Capacity Transfer will be effective if, within the 60 minute window:

- the System Capacity Transfer is approved by National Grid NTS; or
- the System Capacity Transfer is not rejected by National Grid NTS.

UNC TPD B5.2.2 stipulates that Users are permitted to propose a System Capacity Transfer at any point during a Day but no later than 04:00 hours on the Day or first Day of the Transfer Period (the Notification Time Limit). However, parts of the UK Link system (including Gemini), will not be operational at certain times and for certain periods ("Planned UK Link Downtime"). The Planned UK Link Downtime occurs between 04:00 hours and 06:00 hours on each Day and directly impacts on National Grid NTS' ability to either approve or reject a System Capacity Transfer. By virtue of this downtime National Grid NTS will not have a 60 minute window to either approve or not reject the transfer and may not be able to comply with its obligations under the UNC. By amending the Notification Time Limit to 03:00 hours National Grid NTS will be able to fully comply with its UNC obligations.

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

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

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

**a) Implications for operation of the System:**

None identified.

**b) Development and capital cost and operating cost implications:**

None identified.

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

As detailed in section 2 all costs to be met proportionately by Shipper Users based on their NTS Exit (Flat) Capacity holdings as at the 1<sup>st</sup> October 2012 and invoiced in the month following implementation of the above system development.

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

None identified.

**6 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**

None identified.

**7 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**

National Grid NTS will need to undertake development of the UK-Link system to accommodate this Proposal. National Grid NTS raised a ROM request with xoserve to ascertain the indicative costs; xoserve's response has indicated that the change can be done at a zero cost.

Please note the following:

- that the costs utilised are Rough Order of Magnitude Costs and may be subject to change
- that the NTS Exit (Flat) Capacity figure used reflects the level of capacity that Shipper Users currently hold and may be subject to change

As such any charge will be indicative only.

**8 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)*

None identified.

*Development and capital cost and operating cost implications*

National Grid NTS believes there is no development, capital or operation cost implications.

*Consequence for the level of contractual risk of Users*

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

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

None identified.

**10 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**

None identified.

**11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Advantages**

As identified in sections 2-10 of this report.

**Disadvantages**

None identified.

**12 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.*

**13 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.

**14 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.

### **15 Programme for works required as a consequence of implementing the Modification Proposal**

Draft Proposal discussed at Transmission Workstream	04-Feb-10
Draft Proposal discussed at Transmission Workstream	04-Mar-10
Proposal submitted to Mod Panel	18-Mar-10
Proposal issued for consultation (subject to Mod Panel Approval)	18-Mar-10
Closeout for representations	07-Apr-10
Final Modification Report produced	08-Apr-10
Modification Panel decide upon recommendation	15-Apr-10
Proposed implementation date	

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

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

### **17 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.

### **18 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel**

### **19 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.

### **20 Text**

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

For and on behalf of the Relevant Gas Transporters:

**Tim Davis**  
**Chief Executive, Joint Office of Gas Transporters**



