

0289: To determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year

CODE MODIFICATION PROPOSAL No 0289

To determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year.”

Version 2.0

Date: 20/03/2010

Proposed Implementation Date: 01/06/2010

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 Uniform Network Code* (UNC).*

Background

Implementation of Modification Proposal* 0195AV established the basis for the reform of NTS Exit Capacity* booking arrangements that, in full, are scheduled to come into effect on 1 October 2012.

As part of these arrangements Users* will be able to apply for Annual NTS Exit (Flat) Capacity* rights in a July Annual Application Window * in Gas Year* (Y) for use from Gas Year Y+1, Y+2 or Y+3 onwards where the effective start date of the capacity will be the 1 October for each year.

However Enduring Annual NTS (Flat) Exit Capacity* can be both increased and reduced outside of the July Annual Application Window via an adhoc process between 1st October and the 30th June in each year, where this occurs and a request is accepted it may have an effective start date other than the 1 October thereby creating volumes of NTS Exit (Flat) Capacity* that are not then available for a full Gas Year. This can occur where:

- Enduring Annual NTS (Flat) Capacity increases and reductions are undertaken via the following processes:
 - Increases via an ad-hoc request and Advanced Reservation of Capacity Agreement* (ARCA) applications.
 - Decreases requested within the 1-15 July Annual Reduction window.
 - Decreases via an ad-hoc request made in response to an invitation issued by National Grid NTS.
- The use of permits. National Grid NTS is allowed, in accordance with incentives in its Gas Transporter’s Licence*, a limited

0289: To determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year

quantity of permits whereby it can extend or reduce the 38 month default lead time for the delivery of Enduring NTS Exit (Flat) Capacity in accordance with the Exit Capacity Release Methodology Statement*.

Where these scenarios occur resulting in effective start dates other than the 1 October for Enduring Annual NTS Exit (Flat) Capacity, there is an impact on the Remaining Available NTS Exit (Flat) Capacity* that is then made available in the Annual NTS Exit (Flat) Capacity application process i.e. this means that the remaining quantity that is available at a NTS Exit Point* will fluctuate within the Gas Year and therefore the same set quantity would not be available for each and every day of a Gas Year.

Proposal

National Grid NTS proposes that only NTS Exit (Flat) Capacity which is available for the whole Gas Year i.e. can be made available for each day within the Gas Year, will be released as Annual NTS Exit (Flat) Capacity i.e. it will be the lowest quantity that is available at an NTS Exit Point at any point during the Gas Year.

For the avoidance of doubt if a quantity of NTS Exit (Flat) Capacity is available for a period of less than 12 months it will not be included in any Annual NTS Exit (Flat) Capacity offered for release in the Annual Application Window in July. For clarity, all ad hoc applications received (and not rejected) prior to the issue by National Grid NTS of the Annual Capacity Notification* will have an impact on and therefore reduce the amount of Annual NTS Exit (Flat) Capacity subject to the Annual Capacity Notification. However any NTS Exit (Flat) Capacity that has been excluded for these reasons and remains unsold will be made available via the Daily Invitation* process and may be obtained as Daily NTS Exit (Flat) Capacity* (as detailed in section B3.5 and Annex B-1 of the UNC)

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 issue at the February and March Transmission Workstreams and is submitting this Modification Proposal to the March Panel. It is proposed that this proposal now proceeds to the Consultation Phase.

2 User Pays

0289: To determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year

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 services provided by xoserve and as such National Grid NTS is of the view that this is a User Pays Proposal.

National Grid NTS believe that this change will provide a clear benefit for all parties: DNO Users*, Shipper Users* and National Grid NTS. There are clearly discernable benefits for all industry parties in National Grid NTS providing clarity with regards to the quantities of Annual NTS Exit (Flat) Capacity that will be made available.

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

National Grid NTS is of the view (due to the reasons outlined above) that this is a User Pays Proposal, xoserve have confirmed that the facility for National Grid NTS to determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year may be catered for under the current Exit Reform system development and as such may 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:

50% Shipper Users 50% 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 charges 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 levels 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

0289: To determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year

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 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; ; For the reasons given below, the Proposer believes that this Proposal will better facilitate relevant objectives A11.1 (a)

- This Proposal will provide clarity with regards to the quantities of Annual NTS Exit (Flat) Capacity that will be made available in the July Annual Application Window, this will aid Users when determining their application strategies which may otherwise result in an inefficient outcome due to the lack of clarity around both the release mechanism and the quantity to be made available.

Standard Special Condition A11.1(f): so far 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;

National Grid NTS believes that in respect of Standard Special Condition A11(f), the promotion of efficiency in the implementation and administration of the network code and or the uniform network code would be improved by the implementation of this proposal.

- This proposal would add clarity to the release arrangements of Annual NTS Exit (Flat) Capacity, providing clear and transparent rules as to the determination of the amount of NTS Exit (Flat) Capacity to be released via the Annual Application Window.

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

No such implications have been identified.

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

a) The implications for operation of the System:

National Grid NTS believes that the operation of the System* would not be adversely affected. Determining the release process of Annual NTS Exit (Flat) Capacity, where unsold NTS Exit (Flat) Capacity is not available for the whole Gas Year and so is released as Daily NTS Exit (Flat) Capacity,

0289: To determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year would optimize the release of NTS Exit Capacity.

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

National Grid NTS does not believe that this Proposal, if implemented will 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:

Not applicable.

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.

6 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.

7 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 will need to undertake development of the UK-Link system to accommodate this Proposal. National Grid NTS raised a ROM (Rough Order of Magnitude) request with xoserve to ascertain the indicative costs, xoserve's response has indicated that the change can be done at 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 NTS Exit (Flat) Capacity that Shipper Users currently hold and may be subject to change.

As such any charge will be indicative only.

8 The implications for Users of implementing the Modification Proposal, including:

0289: To determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year

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

National Grid NTS believes there are no administrative or operational implications associated with this proposal. All unsold NTS Exit (Flat) Capacity remaining can be obtained in the Daily NTS Exit (Flat) Capacity auctions process.

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.

9 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.

10 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters

National Grid NTS is not aware of any such consequences.

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

Advantages

National Grid NTS believes that the advantages of implementing this proposal would be:

- It provides a method to determine the quantity of Annual NTS Exit (Flat) Capacity, which is a yearly product, to be released where the quantity of unsold NTS Exit (Flat) Capacity fluctuates within the Gas Year.
- It simplifies a potentially complex process, ensuring that the Annual NTS Exit (Flat) Capacity product is not impacted by any changes via any Ad-hoc applications or reductions.
- It offers additional short term exit capacity. This gives flexibility to User(s) by providing additional choice in the duration of NTS Exit (Flat) Capacity

0289: To determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year required.

- may enable Users to adjust their portfolio of Annual NTS Exit (Flat) Capacity holdings as their demand forecasts become more certain.

Disadvantages

No disadvantages have been identified.

12 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)

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

None.

14 Any other matter the Proposer considers needs to be addressed

None.

15 Recommendations on the time scale for the implementation of the whole or any part of this 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	01-Jun-10

16 Comments on Suggested Text

To be advised.

17 Suggested Text

To be advised.

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) B3

Proposer's Representative

Joint Office of Gas Transporters

0289: To determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year

Fergus Healy

Proposer

National Grid NTS