

Draft Modification Report
Amendment to the DN Adjustment Window
Modification Reference Number 0342
Version 2.0

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).*

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 the Enduring Exit Reform processes DNO Users* are able to apply for Enduring Annual NTS Exit (Flat) Capacity* rights in the Annual Application Window* held in July of Gas Year*Y, where Y is the Gas Year in which the Annual Application Window falls, for Gas Years Y+4, Y+5 or Y+6. DNO Users may also apply to revise both their NTS Exit (Flexibility) Capacity* and their Assured Offtake Pressure* at an NTS/LDZ Offtake*, via the Offtake Capacity Statement* and Offtake Pressure Statement* processes also in July of each year.

Under the current UNC rules, for both the Transitional and Enduring periods, where a DNO User has applied for or revised their NTS Exit (Flexibility) Capacity and/or Assured Offtake Pressures during the Annual Application Window held in July, of each year National Grid NTS must provide an indicative Offtake Capacity Statement (inclusive of NTS Offtake (Flat) Capacity* for the transitional period) and/or indicative Offtake Pressure Statement informing the DNO User(s) whether their application(s) have been fully accepted, partially accepted or rejected. This is currently achieved no later than 15th September (of the Gas Year Y) where Y is the Year. The DNO User(s) can then clarify, reconsider and resubmit their Application(s) for NTS Exit (Flexibility) Capacity and/or Assured Offtake Pressure and/or, for the Transitional period only, NTS Offtake (Flat) Capacity within five (5) Business Days* of receipt of the indicative Offtake Capacity Statement. National Grid NTS then has the opportunity to consider the resubmitted application(s) prior to agreeing the Offtake Capacity Statement and Offtake Pressure Statement by the 30th September (in Gas Year Y).

Additionally, in respect of the Enduring Period, where National Grid NTS wholly or in part rejects an application, for additional NTS Exit (Flexibility)

Capacity and/or an increase in Assured Offtake Pressure, a DNO User may submit revised applications for Enduring Annual NTS Exit (Flat) Capacity. These revised applications must be submitted on any of the first five (5) Business Days following the 15th September (commonly known as the DN adjustment window). National Grid NTS then has until the 30th September (in Gas Year Y) to notify the DNO User of which of its revised applications have been accepted.

It has been identified that a proposed change to the timelines detailed above will allow the DNO User(s) to receive their indicative statements at an earlier date and allow additional time to be embedded into the OCS/OPS process in order for National Grid and DNO User(s) to undertake more detailed analysis and engage in more detailed discussions with regards to the DNO User(s) revised applications.

Proposal

National Grid NTS proposes that the indicative Offtake Capacity Statement and/or indicative Offtake Pressure Statement, for both the transitional and enduring periods, be provided by no later than 15 Business Days after the closure of the Annual Application Window in July.

For the Transitional Period National Grid NTS further proposes, following the submission to the DNO User of the indicative Offtake Capacity Statement and/or indicative Offtake Pressure Statement, that the number of Business Days available to a DNO User to clarify, reconsider and resubmit its application(s) for NTS Exit (Flexibility) Capacity and/or Assured Offtake Pressures and, NTS Offtake (Flat) Capacity is increased from 5 (Five) to 10 (Ten) Business Days. National Grid NTS will continue to have until the 30th September to consider these applications and agree the Offtake Capacity and Offtake Pressure Statements.

For the Enduring period where National Grid NTS wholly or in part rejects a request for additional NTS Exit (Flexibility) Capacity or an increase in Assured Offtake Pressure and the DNO User then submits a revised application for Enduring Annual NTS Exit (Flat) Capacity, National Grid NTS also proposes that the DNO Users revised application can be submitted on any of the first 10 (Ten) Business Days following the provision of indicative Offtake Capacity and/or indicative Offtake Pressure Statement in Gas Year Y, rather than the 5 (Five) Business Days following the 15th September as it is currently. To clarify all indicative statements will be issued on the same day. National Grid NTS will then continue to have until the 30th September to notify a User which of its applications has been accepted.

2 User Pays

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

Not Applicable.

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

No User Pays charges applicable.

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

No User Pays charges applicable to Shippers.

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

No charges applicable for inclusion in ACS.

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 pipe-line system to which this licence relates;

Implementation of this proposal will embed additional time into the OCS/OPS process for National Grid NTS to undertake more detailed analysis of its network following a DNO User(s) resubmitting its submissions for NTS (Exit) Flat Capacity, NTS Exit (Flexibility) Capacity and/or Assured Offtake Pressures. This will enable National Grid NTS to engage in more detailed discussions with the DNO User(s) regarding their revised applications for NTS (Exit) Flat Capacity, NTS Exit (Flexibility) Capacity and/or Assured Offtake Pressures. This may better facilitate National Grid NTS' decisions with regards to the capabilities of the NTS and help National Grid NTS to meet DNO User requests in the most efficient and economic manner.

Embedding additional time within the process may also enable National Grid NTS to better assess and evaluate supply patterns to constrained areas of the network and by undertaking more detailed analysis be able to assess with increased confidence whether there will be sufficient levels of supply to meet any additional DNO commitments.

The proposal will also allow for more options to be discussed between National Grid NTS and the DNO User(s) following resubmitted allocations. This may result in National Grid NTS being able to identify alternative solutions to reinforcement that meet the requirements of the DNO User(s). This will help to ensure that the system is utilised in the most economic and efficient manner by avoiding potentially unnecessary investment costs.

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;

As stated above for Standard Special Condition A11.1 (a) Implementation of this proposal will embed additional time into the process for a DNO User to

undertake more detailed analysis of its network after receiving their initial allocations for NTS Exit (Flat), NTS (Flexibility) and/or Assured Offtake Pressures. This will enable the DNO User(s) to evaluate, with increased confidence, whether their indicative allocations will be sufficient to manage their own network/s, meet their relevant customer requirements and therefore better facilitate their decisions regarding any revised applications to National Grid NTS. The Proposal will also Provide the DNO User(s) and National Grid NTS with additional time when discussing the DNO User(s) revised applications. This may better facilitate National Grid NTS in its decision making with regards to the capabilities of the NTS and help it to meet the DNO User(s) requests in the most efficient and economic manner. The combination of more detailed analysis and dialogue between National Grid NTS and the DNO User(s) regarding each others system requirements may aid in the decision making process to support both the efficient utilisation of an individual DNO User(s) system and the economic and efficient operation of the overall combined pipeline system.

Also as seen above for Standard Special Condition A.11.1 (a) Embedding additional time in the process may enable National Grid NTS to undertake more detailed analysis of its own network thereby utilising the information provided by the DNO User(s) to better assess and evaluate supply patterns to constrained areas of the network and then, by undertaking more detailed analysis, be able to assess with increased confidence, whether there will be sufficient levels of supply to meet any additional DNO commitments. This will allow for more options to be assessed when the DNO User(s) resubmit their allocations, ensuring that reinforcement can be avoided, where possible and an alternative solution maybe found that then meets their requirements of both the DNO User(s) and National Grid NTS. This will help to ensure that the overall combined pipeline system is utilised in the most efficient and economic manner by avoiding what maybe unnecessary investment cost and time delays whilst also meeting the supply and demand requirements of the overall combined pipeline system.

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:

(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 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 not be expected to better facilitate this relevant objective.

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

Amending the DN Adjustment Window to allow additional levels of discussion and analysis may provide the opportunity for National Grid NTS to better facilitate the DNO Users requirements and this may help satisfy any obligations that relate to security of supply.

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

a) 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.

b) Development and capital cost and operating cost implications:

Not applicable

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:

National Grid NTS believes that the Proposal will have no material impact on the level of contractual risk of each Transporter.

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

Not applicable.

- 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**

Not applicable.

- 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)

National Grid NTS would welcome responses from Users in this area.

Development and capital cost and operating cost implications

National Grid NTS would welcome responses from Users in this area.

Consequence for the level of contractual risk of Users

National Grid NTS would welcome responses from Users in this area.

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

National Grid NTS is not aware of any such implications but would welcome responses from users in this area.

- 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**

National Grid NTS is not aware of any such consequences.

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

Advantages

- As identified in paragraphs 2-10.

Disadvantages

- No disadvantages have been 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.
Consultation End Date: 09 December 2010.*

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

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

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

Transportation Principal Document Section B3

Amend paragraph 3.2.8(a) to read as follows:

- “3.2.8 In respect of an application made under paragraph 3.2.3(a):
- (a) where National Grid NTS has rejected or accepted in part only an application made by a DNO User pursuant to paragraph 3.7.5 for NTS Exit (Flexibility) Capacity or Section J2.5 in relation to an increase in the Assured Offtake Pressure in respect of Gas Year Y+4, Y+5 or Y+6, a DNO User may submit a revised application for Enduring Annual NTS Exit (Flat) Capacity on any of the ~~five-ten~~(~~5~~10) Business Days following ~~15 September~~ the provision of the indicative statement in accordance with paragraph 3.7.9(b) in Gas Year Y for Gas Year Y+4, Y+5 and Y+6;”

Amend paragraph 3.7.9(b) to read as follows:

- “3.7.9 National Grid NTS will in the case of an application under paragraph 3.7.5:
- (a) ... ;
 - (b) in the case of an application made under paragraph 3.7.5(a)(i) or 3.7.5(b), ~~no later than within 15 September~~ Business Days following the last Day of the Application Window provide an indicative statement notifying the DNO User whether its application is accepted in whole or in part, or rejected, specifying the indicative amount of NTS Exit (Flexibility) Capacity for each NTS/LDZ Offtake and each Gas Year and maximum available NTS Exit (Flexibility) Capacity; ...”

Transportation Principal Document Section J2

Amend paragraph 2.5.13 to read as follows:

- “2.5.13 National Grid NTS will in the case of an application under paragraph 2.5.6:
- (a) as soon as reasonably practicable thereafter notify the DNO User where it believes it is unlikely to be able to meet the application in full, providing details of;
 - (i) the circumstances surrounding any restrictions; and
 - (ii) the maximum available increase in the Assured Offtake Pressure;
 - (b) ~~no later within than 15 September~~ Business Days following the last Day of July in which the application is made provide an indicative statement notifying the DNO User whether its application is accepted in whole or in part, or rejected, specifying the indicative available Assured Offtake Pressure;
 - (c) the DNO User will then have an opportunity to seek clarification, reconsider and resubmit its application for an increase in the Assured Offtake Pressure within ~~five-ten~~(~~5~~10) Business Days following notification from National Grid NTS under paragraph (b); ...”

General Terms, Transition Document Part IIC, paragraph 10

Amend paragraph 10.3.6 to read as follows:

“10.3.6 National Grid NTS will in the case of an application under paragraph 10.3.2:

- (a) as soon as reasonably practicable thereafter notify DNO Users where they believe they are unlikely to be able to meet the application in full, providing details of;
 - (i) the circumstances surrounding any restrictions; and
 - (ii) the maximum available capacity;
- (b) in the case of an application made under paragraph 10.3.2(a)(i), or 10.3.2(b), ~~no later than within 15 September~~ Business Days following the last Day of July in which the application is made provide an indicative statement notifying the DNO User whether its application is accepted in whole or in part, or rejected, specifying the indicative amount of NTS Offtake (Flat) Capacity and/or NTS Offtake (Flexibility) Capacity and Assured Offtake Pressure for each NTS/LDZ Offtake and each Gas Year and maximum available NTS Offtake (Flat) Capacity and/or NTS Offtake (Flexibility) Capacity and associated Assured Offtake Pressures;
- (c) a DNO User will then have an opportunity to seek clarification, reconsider and resubmit its application within ~~5 ten (10)~~ Business Days following notification from National Grid NTS under paragraph 10.3.6(b) above; ... ”

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