

Representation

Draft Modification Report

0373: Governance of NTS connection processes

Consultation close out date: 30 March 2012

Respond to: enquiries@gasgovernance.co.uk

Organisation: National Grid NTS

Representative: Steve Pownall

Date of Representation: 26th March 2012

Do you support or oppose implementation?

Support

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

In conjunction with the industry, National Grid NTS has contributed to the development of this proposal in the 0373 Workgroup. As such, we are fully supportive of the principles behind this proposal and consider that it would, if implemented, provide customers and National Grid Transmission alike with a robust, transparent and well-defined connections framework within the Uniform Network Code (UNC). We consider that this framework would facilitate timely connections to our National Transmission System (NTS).

Are there any new or additional issues that you believe should be recorded in the Modification Report?

No

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We agree that this proposal to implement a robust, equitable and transparent connections framework into the UNC would meet the Relevant Objectives as outlined in the 0373 Workgroup Report dated 5th January 2012. In addition, we have the following comments on the Relevant Objectives:

A11.1.d Securing of effective competition:

We agree with the proposer that the connections framework outlined in the proposal would better facilitate this Relevant Objective. The obligated processes and timescales for progressing a connection application /offer and, for the delivery/acceptance of a connection offer are cognisant on National Grid NTS and the customer alike. To this end, National Grid NTS would be treating all customer applications for a connection offer in a transparent, non-discriminatory manner thereby facilitating competition.

A11.1 h (i) meets the relevant objectives listed in Paragraph 5 of - Licence Condition 4B (LC4B) Connection Charging Methodology:

We consider that the implementation of the proposed change to introduce a fixed fee into UNC Section Y – Charging Methodologies would meet the Relevant Objectives under LC4B Paragraph 5c and 5d as follows:

5c) We would assess the level of the proposed fixed fee against our internal activities and costs. The fixed fee amount would fairly reflect the fully absorbed rate of costs incurred by National Grid NTS in the production of an Initial Connection Offer on behalf of a customer. The proposed fixed fee would be regularly reviewed (at least annually) in accordance with the obligations of LC4B and where appropriate, updated as necessary.

5d) The setting and publication of the fixed fee would ensure that National Grid NTS meets this Relevant Objective in that all customers that require either a new, or revised, NTS connection are treated on a fair and equitable basis.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

As part of the development of 0373, National Grid NTS has undertaken a full end-to-end internal review of our NTS connections processes, procedures and supporting systems (offline). Subsequently, and notwithstanding any Authority decision on 0373, we have taken a decision to implement improvements to our internal connections processes and, external customer-facing processes; for example, improved utilisation of our website for the publication of NTS Connections-related information.

Whilst there are likely to be some internal costs arising for National Grid NTS from

implementing certain aspects of the proposal, moving forward, it is anticipated that these costs would be offset against the improved processes and enhanced delivery of connection offers to our customers.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

As agreed by the 0373 Workgroup on 5th January 2012 and, supported by the UNC Modification Panel on 19th January 2012, the implementation date of this modification is dependent on National Grid NTS publishing a revised Connection Charging Statement.

The revision to the Connection Charging Statement would include the new Fixed Fee for an Initial Connection Offer and it would also include the levels of the application fees for a Full Connection Offer. The fees would be published in the form of an Application Fee Charging Matrix that would be incorporated into our Connection Charging Statement.

We anticipate the publication of a revised Connection Charging Statement immediately following any Authority direction to implement this modification.

Once published, the Connection Charging Statement (and thus 0373) would become effective on the 1st day of the calendar month immediately proceeding the 2-month effective date. For example, should the Authority publish its direction to implement of 0373 on 23rd May 2012, National Grid NTS would publish the Connection Charging Statement on 24th May; 0373 and the Charging Statement would thus become effective on 1st August 2012.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

As the Transporter responsible for providing the legal text for this proposal, National Grid NTS has received some comments and suggested changes from customers. As such we agree with those customers that the legal text provided for this proposal would benefit from additional clarity. We have attached a track-marked version of the revised legal text as Appendix A to this representation.

We do not consider that the changes to the legal text present a material change however; we are cognisant that the changes will be included within the Final Modification Report which will be presented to, and considered by, the UNC Modification Panel on 19th April 2012.

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Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

Application Fees:

We anticipate the inclusion of a new 'Application Charging Fee Matrix' in our Connection Charging Statement. The revised Connection Charging Statement would contain the level of fees for each connection offer type that would facilitate greater transparency and consistency in our revised NTS connections processes. The relevant fee would be required to be paid by the customer upon submission of its application for a connection offer.

Application/Offer for non-UNC signatories:

Following external Legal advice, National Grid NTS has structured the application form so that a non-UNC signatory would, by submitting an application for a connection, be legally bound by certain sections of the UNC.

The following extract is taken from the proposed UNC Connection Application template:

"Where we (the "**Connection Applicant**") are *not* a "**User**" within the meaning of the **UNC**, then the following provisions of the **UNC** (as amended from time to time) are incorporated into this **Connection Application** and shall apply *mutatis mutandis* to this **Connection Application** (provided that references to "**User**" shall be references to the **Connection Applicant**, references to "**Transporter**" shall be references to **National Grid NTS** and references to the "**Code**" or "**Framework Agreement**" are references to this **Connection Application**):

- TPD Section V5 (Confidentiality);
- TPD Section V8 (Liabilities and Indemnities);
- TPD Section V13 (Connection Applications);
- TPD Section Y (Connection Charging Methodology);
- GT Section B3 (Force Majeure); and
- GT Section B6 (General)
-

(where "**TPD**" means the **Transportation Principal Document** and "**GT**" means the **General Terms document**, each forming part of the **UNC**").

Planning Act 2008:

We consider that 0373 would provide a robust connections framework for all parties; however, the introduction of the Planning Act 2008 (the 'Act') effectively extends the timelines to deliver infrastructure projects; including customer siteworks, NTS connections and any associated requirements for NTS reinforcement. Whilst this has been discussed during the 0373 Workgroup meetings, the participants agreed that the challenges presented by the Act were outside the scope of 0373.

We have given an undertaking to our customers at the 0373 Workgroup, the Talking Networks workshops and, also outlined in our RIIO T1 March Submission; that we would be discussing and agreeing a way forward with our customers on the consequential connection/capacity challenges that are now presented by the Planning Act 2008.

As such, and utilising 0373 as an incremental step, we intend to present a connection/capacity strawman and initial options for industry consideration. The strawman would look at aligning the physical connection/commercial capacity processes and, the associated timescales between our customers and National Grid NTS. We anticipate presenting the 'Connection & Capacity' Strawman for discussion at the Transmission Workgroup on 1st May 2012.

Appendix A – Proposed revisions to the Legal Text:

UNC Modification Proposal 0373

Governance of NTS Connection Processes

Transportation Principal Document, Section V- General

Insert the following as a new paragraph 13:

“13. NTS Connections

13.1. Connection Applications

13.1.1 If a User or any other person (the “**Connection Applicant**”) wishes to request:

- (a) a connection to the NTS at a new (as yet unbuilt) NTS System Point; or
- (b) the modification of an existing NTS System Point;

then the Connection Applicant shall complete and submit to National Grid NTS an application (in the form prescribed by National Grid NTS from time to time) (the “**Connection Application**”) and comply with the terms thereof. In addition, and at the same time, the Connection Applicant shall pay the relevant fee (the “**Connection Application Fee**”).

13.1.2 A Connection Application shall be a “**Competent Connection Application**” where:

- (a) the application form has been correctly and fully completed;
- (b) the requested technical data has been fully provided; and
- (c) the relevant Connection Application Fee has been paid in full and is available to National Grid NTS in cleared funds.

13.1.3 National Grid NTS shall:

- (a) as soon as reasonably practicable and in any case no more than two (2) Business Days from the date of receipt of the Connection Application acknowledge receipt of such Connection Application;
- (b) as soon as reasonably practicable and in any case no more than five (5) Business Days after the date that the Connection Application is deemed to be a Competent Connection Application:
 - (i) confirm that it is a Competent Connection Application;
 - or

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- (ii) advise the Connection Applicant that the offer is not a Competent Connection Application and specify the reasons that the Connection Application is not a Competent Connection Application; and
- (c) where it considers that further information or data is required in order for it to consider or progress the Connection Application, request such further information or data from the Connection Applicant. The Connection Applicant shall provide the requested information or data as soon as reasonably practicable and in any case no more than five (5) Business Days after the date of receipt of the request from National Grid NTS.

13.1.4 Where a submitted Connection Application is not a Competent Connection Application, the Connection Applicant may resubmit, amend or supplement the Connection Application and the provisions of paragraph 13.1.3 shall apply in relation to such resubmitted, amended or supplemented Connection Application.

13.1.5 The Connection Applicant may withdraw, by written notification to National Grid NTS, a Connection Application at any time before a Connection Offer is made. In relation to the withdrawal of a Full Connection Application only, the Connection Application Fee shall be refunded to the Connection Applicant less a deduction for actual costs (including reasonable overheads) reasonably incurred by National Grid NTS in progressing the Connection Application up to the date of withdrawal.

13.2 Connection Application Fees

13.2.1 The Connection Application Fee in relation to an Initial Connection Application shall be a fixed, full and final amount that shall not be subject to any adjustment by National Grid NTS once paid by the Connection Applicant (nor shall the Connection Applicant be entitled to any refund of part of the Connection Application Fee).

Deleted: National Grid NTS shall establish, publish and review on an annual basis the types of NTS Connections and the Connection Application Fees payable by the Connection Applicant for each Connection Offer type.

13.2.2 Following the issue of a Full Connection Offer or the withdrawal of a Full Connection Application by the Connection Applicant, or where National Grid NTS has not provided a Full Connection Offer as set out paragraph 13.4.3. National Grid NTS shall calculate the total actual costs (including a reasonable overhead) reasonably incurred by National Grid NTS in progressing the Full Connection Application and preparing and issuing the Full Connection Offer, including undertaking all necessary design and engineering studies and preparing the relevant agreement for undertaking the detailed design of the connection and the associated physical construction works (“**Construction Agreement**”). Where these costs are less than the Connection Application Fee paid by the Connection Applicant, National Grid NTS shall refund such difference to the Connection Applicant. Where these costs are greater than the Connection Application Fee paid by the Connection Applicant, National Grid NTS shall invoice the Connection Applicant for the difference.

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13.2.3 For the avoidance of doubt, no such reconciliation shall be undertaken in relation to an Initial Connection Offer or an Initial Connection Application.

13.2.4 Connection Application Fees shall be reviewed by National Grid NTS in accordance with the provisions of Section Y - Appendix D, Section 2, Paragraph 25A.

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13.3 Types of Connection Offers

13.3.1 A “**Connection Offer**” shall be either an Initial Connection Offer or a Full Connection Offer, and the Connection Application shall identify the type of Connection Offer being applied for. For the purposes of the Code:

- (a) an “**Initial Connection Offer**” is an early estimate of the physical construction costs, programme of works and layout of the proposed Connection based only on a desktop exercise by National Grid NTS and will provide the Connection Applicant with the information as described at paragraph 13.4.1 and a draft Construction Agreement (unless waived by the Applicant at the point of Application). An Initial Connection Offer may only be applied for in relation to a single point of connection to the NTS, and not for the purposes of exploring multiple options or locations to connect to the NTS;
- (b) a “**Full Connection Offer**” is a detailed estimate of the physical construction costs, programme of works and layout of the proposed Connection based on design and engineering studies and will provide the Connection Applicant with the information as described at paragraph 13.4.2 and a Construction Agreement. For the avoidance of doubt, there will still be a detailed design and build stage after the Full Connection Offer is provided;
- (c) an “**Initial Connection Application**” is a Connection Application in relation to an Initial Connection Offer; and
- (d) a “**Full Connection Application**” is a Connection Application in relation to a Full Connection Offer.

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13.4 Content of Connection Offers

13.4.1 An Initial Connection Offer shall comprise, as a minimum:

- (a) an estimate of the construction works costs that would be incurred in providing the requested connection to the NTS, together with details of the indicative timing of payments in respect of such costs, including provision for reconciliation of actual costs post-construction, where reasonably incurred by National Grid NTS;
- (b) an indicative programme of the proposed construction works, including an indication of whether NTS reinforcement may be required;
- (c) the proposed indicative location of the proposed Connection and a draft connection layout drawing;
- (d) a draft Construction Agreement, unless the Connection Applicant has advised National Grid NTS that it does not require a draft Construction Agreement to be provided as part of the Initial Connection Offer;
- (e) an indication of the works required by National Grid NTS to produce a Full Connection Offer (should the Connection Application submit a Full Connection Application based on the Initial Connection Offer); and

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- (f) details of the Connection Application Fee that would be payable by the Connection Applicant in relation to a Full Connection Application (should the Connection Applicant submit a Full Connection Application based on the Initial Connection Offer), which fee would be subject to reconciliation as set out in paragraph 13.2.2.

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13.4.2 A Full Connection Offer shall comprise, as a minimum:

- (a) a copy of any relevant design or engineering study report, as required by National Grid NTS to make the Full Connection Offer and paid for by the Applicant as part of the Application Fee;

- (b) a Construction Agreement in relation to the proposed construction works;

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- (c) an indicative programme of the proposed construction works, including as a minimum:

- (i) the anticipated dates on which the connection will be available to the Connection Applicant for testing and commissioning and commercial operation, with details as to how such dates are contingent on any relevant planning or other consents being obtained;

- (ii) details of the location of the proposed Connection, including Ordnance Survey (or equivalent) map with grid references and a site layout drawing;

- (iii) an indicative project plan containing:

- (1) an indicative milestone date when National Grid NTS would expect to apply to the Authority to include or revise a revenue driver in its Gas Transporter's Licence (where applicable);

- (2) an indicative earliest milestone date at which System Capacity could be applied for by a User in order for the Connection Applicant to align its capacity needs with the indicative connection completion date;

- (3) an indicative milestone date by when the relevant Network Exit Agreement, Network Entry Agreement, Storage Connection Agreement or Supplemental Agreement has to be signed (as appropriate and where applicable); and

- (4) an indicative programme of works to deliver the requested connection or modification (excluding works required to reinforce or extend the existing NTS to provide any additional System Capacity), including:

- (aa) an overall project timeline and key milestone dates;

- (bb) details of payment milestones;

- (cc) any credit requirements;

- (dd) indicative dates for purchase of long-lead items; and

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- (ee) details of any additional activities or studies required if the Connection Offer is accepted, including the indicative cost of such activities or studies.

For the avoidance of doubt, the indicative project plan is intended to be used as guidance only to assist the Connection Applicant with general project planning and in no way does it oblige National Grid NTS to make System Capacity available at the NTS System Point.

- (iv) any foreseeable planning and other consent milestone dates;
 - (v) where National Grid NTS is requested by the Connection Applicant to construct the connecting pipeline, an indication of the potential size and route corridor of any connecting pipeline to be constructed by National Grid NTS (except to the extent that National Grid NTS reasonably considers that the provision of such information may be prejudicial to any planning application National Grid NTS may have to submit in relation to such pipeline); and
 - (vi) an indicative draft of any relevant Network Exit Agreement, Network Entry Agreement, Storage Connection Agreement or Supplemental Agreement (or amendment thereto) (as appropriate and where applicable) that has to be signed in relation to the relevant NTS System Point, which shall include the relevant technical parameters;
- (d) the Full Connection Offer shall contain an estimate of the construction works costs to be paid by the Connection Applicant pursuant to the Construction Agreement, together with dates on which payments in respect of such amounts would be due to be made, if the Full Connection Offer is accepted.

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13.4.3 Where a physical connection (as requested pursuant to the Full Connection Application) to the NTS is not deemed by National Grid NTS (acting reasonably) to be feasible for technical or engineering reasons, National Grid NTS shall not be required to produce the relevant Full Connection Offer and shall provide written notification to the Connection Applicant and the Authority, with an explanation why physical connection (and therefore provision of a Full Connection Offer) is not possible.

13.5 Connection Offers

13.5.1 National Grid NTS shall issue a Connection Offer to the Connection Applicant as soon as reasonably practicable and in any event within:

- (a) in the case of an Initial Connection Offer, within two (2) months of the date on which National Grid NTS notifies the Connection Applicant that the relevant Initial Connection Application is a Competent Connection Application; and
- (b) in the case of a Full Connection Offer, within:
 - (i) six (6) months (where the connection point requested by the Connection Applicant is in a greenfield location (being a location that has not previously been the subject of development) and the Full Connection Offer is in respect of a

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minimum offtake connection to the NTS with a ramp rate of less than 50MW/minute); or

(ii) nine (9) months (in all other cases);

(or such longer time as the Authority may agree, or be deemed to have agreed, pursuant to paragraph 13.5.2) of the date on which National Grid NTS has confirmed to the Connection Applicant that the Connection Application is a Competent Connection Application (the “**Connection Offer Deadline**”).

13.5.2 Where National Grid NTS reasonably believes that it will be unable to issue a Connection Offer to the Connection Applicant by the Connection Offer Deadline, National Grid NTS may apply to the Authority for an extension to the Connection Offer Deadline. The Connection Offer Deadline shall be extended as directed by the Authority in response to such application. Pending any decision by the Authority in response to such application, the Connection Offer Deadline shall remain as determined pursuant to paragraph 13.5.1.

13.5.3 To accept a Full Connection Offer, the Connection Applicant must sign and return the Construction Agreement contained within such Full Connection Offer, which will then be countersigned by National Grid NTS and a copy returned to the Connection Applicant.

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13.5.4 An Initial Connection Offer is not an offer capable of acceptance and is not binding on National Grid NTS or the Connection Applicant and in order to proceed further, the Connection Applicant must submit a Full Connection Application.

13.5.5 A Connection Offer will be open for acceptance by the Connection Applicant for a period of three (3) months from the date of the Connection Offer. Failure by the Connection Applicant to accept the Connection Offer within such three (3) month period will cause the Connection Offer to lapse and any subsequent purported acceptance of the Connection Offer by the Connection Applicant may be treated as null and void by National Grid NTS.

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13.5.6 A feasibility study will be required in order to be able to provide a Full Connection Offer to the Connection Applicant except where the connection point requested by the Connection Applicant is in a greenfield location (being a location that has not previously been the subject of development) and the Full Connection Offer is in respect of a minimum offtake connection to the NTS with a ramp rate of less than 50MW/minute. Where a feasibility study is required in order to be able to provide a Full Connection Offer:

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(a) National Grid NTS shall undertake such feasibility study and shall provide the Connection Applicant with a copy of the resulting feasibility study report within three (3) months of the date on which National Grid NTS notifies the Connection Applicant that the Full Connection Application is a Competent Connection Application;

(b) no later than three (3) months after receipt of the feasibility study report, the Connection Applicant may notify National Grid NTS that it wishes National Grid NTS to provide a Full Connection Offer based on the feasibility study report (provided that, where the

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feasibility study report contains specific questions for the Connection Applicant to answer, the Connection Applicant has provided sufficiently detailed answers to such questions within such three (3) month period;

- (c) the time between (i) National Grid NTS providing the feasibility study report to the Connection Applicant and (ii) the Connection Applicant notifying National Grid NTS that it wishes National Grid NTS to provide a Full Connection Offer based on the feasibility study report (and, where applicable, providing sufficiently detailed answers to any specific questions set out in the feasibility study report) shall be discounted when determining whether National Grid NTS has complied with its obligation under paragraph 13.5.1; and
- (d) if, by the date falling three (3) months after receipt of the feasibility study report, the Connection Applicant has not notified National Grid NTS that it wishes National Grid NTS to provide a Full Connection Offer based on the feasibility study report, then the Connection Applicant shall be deemed to have given notice to National Grid NTS to terminate work on the Full Connection Application.

13.6 Modification of a Full Connection Offer

13.6.1 Where, after a Full Connection Offer has been made and accepted, the Connection Applicant wishes to request an amendment to the whole or part of the Full Connection Offer, a “**Connection Offer Modification Application**” (in the form prescribed by National Grid NTS) must be submitted by the Connection Applicant to National Grid NTS.

13.6.2 A Connection Offer Modification Application shall be deemed to be a Full Connection Application and the provisions of this paragraph 13 shall apply accordingly, provided that:

- (a) the Connection Application Fee in relation to a Connection Offer Modification Application shall be either:
 - (i) an amount as may be mutually agreed by the Applicant and National Grid NTS; or
 - (ii) in the absence of such agreement, 75% of the Connection Offer Application Fee which was paid by the Connection Applicant for the relevant Full Connection Offer;
- (b) the Full Connection Offer shall be based on the original Full Connection Application as modified by the Connection Offer Modification Application (and so paragraph 13.4.2 shall be deemed to be amended accordingly); and
- (c) references in this paragraph 13 to the Construction Agreement shall be references to an agreement to amend the Construction Agreement signed by the Connection Applicant in accepting the Full Connection Offer.

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13.7. Information Publication Requirements

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13.7.1 For the purposes of the Connections Offer process, National Grid NTS shall publish the following information on its public website:

- (a) a draft standard form of Construction Agreement for different connection types;
- (b) a draft generic Advance Reservation of Capacity Agreement, Network Exit Agreement, Network Entry Agreement and Storage Connection Agreement;
- (c) generic technical specifications and standards associated with the Connection Offer processes which are not site-specific;
- (d) a generic Connection Offer template;
- (e) Connection Application templates; and
- (f) a guide for potential Connection Applicants on the Connection Application process.

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13.7.2 National Grid NTS shall publish the following information on a quarterly basis:

- (a) the number of Competent Connection Applications for Connection Offers (received in the previous quarter and the cumulative total for the calendar year in question);
- (b) the cumulative total for the calendar year in question of Full Connection Offers made in accordance with the timescales set out in paragraph 13.5.1; and
- (c) the cumulative total for the calendar year in question of Initial Connection Offers made in accordance with the timescales set out in paragraph 13.5.1.

13.8 Applicant Requested Pre-Connection Studies

13.8.1 Where a potential Connection Applicant wishes to explore options for connecting to the NTS, a “**Pre-Connection Study**” may be requested. Such a Pre-Connection Study request shall not, for the avoidance of doubt, be a Connection Application for the purposes of the Code. Following receipt of such a request, National Grid NTS shall seek to agree the terms on which it will undertake any such study with the person submitting the request.

13.8.2 If such a Pre-Connection Study is undertaken by National Grid NTS pursuant to such a request and produces data or information which can be re-used for the purposes of a subsequent Connection Offer to the potential Connection Applicant, then the Application Fee and timescales for such a subsequent Connection Offer may, at National Grid NTS’ discretion, be reduced accordingly.

13.8.3 For the avoidance of doubt, the carrying out of a Pre-Connection Study is not a pre-requisite for submitting either an Initial Connection Application or a Full Connection Application.”

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Transportation Principal Document, Section Y- Charging Methodologies

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Insert the following as a new paragraph 25A in Appendix D Section 2:

"NTS Connections: Application Fixed Fee - Initial Connection Offer

25A The application fee for an Initial Connection Offer shall be a full, fixed and final amount and not subject to any adjustment by National Grid NTS once paid by the Applicant. It shall reflect the average National Grid NTS fully absorbed costs required to produce the information contained in an Initial Connection Offer.

The Connection Application Fee will be reviewed on either:

- a) an annual basis, and updated, where appropriate, to reflect any changes to National Grid NTS staff costs; or
- b) an ad-hoc basis where the scope of an Initial Connection Offer is amended.

Typical National Grid NTS activities required to produce an Initial Connection Offer include, but are not limited to: the administration of the application, desktop design activities, network analysis, costing activities, internal governance and legal review. The Connection Application Fee will be contained in the 'NTS Connections - Application Fee Matrix' within the Connection Charging Statement.

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