

Stage 01: Proposal

0376A:

Increased Choice when Applying for NTS Exit Capacity

To increase the level of choice available to Users when applying for Enduring annual NTS Exit (Flat) capacity by enabling an adhoc application to request a Capacity start date beyond Y+4 up to Y+6 and an application within the July Application Window to request a non October start date.



The Proposer recommends that this modification should be sent directly to consultation



High Impact:
Shipper Users, DN Users and National Grid NTS



Medium Impact:



Low Impact:

What stage is this document in the process?

- 01 Proposal
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

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About this document:

This document is an amended proposal. The changes reflect issues raised by the Workgroup assessing the modification.



3 **Any questions?**

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1 Summary



Is this a Self-Governance Modification?

National Grid NTS believes that this Proposal is a Self Governance Modification Proposal as it meets the following self governance criteria:

Implementation

- (i) is unlikely to have a material effect on:
 - (aa) existing or future gas consumers; and
 - (bb) competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and
 - (cc) the operation of one or more pipe-line system(s); and
 - (dd) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
 - (ee) the uniform network code governance procedures or the network code modification procedures; and
- (ii) is unlikely to discriminate between different classes of parties to the uniform network code/relevant gas transporters, gas shippers or DN operators.

Why Change?

Users have indicated via UNC Workgroup 0376 that they wished to increase the choice that is available to them when applying for Enduring Annual NTS Exit (Flat) Capacity. Currently, Enduring annual NTS Exit (Flat) Capacity can be applied for during the Annual Application Window in July for an October year+4, Y+5 or Y+6 start date. If this does not meet the User's application date or first capacity date requirements then an adhoc application process can be used however the ad-hoc process is restricted to Y+4. Shipper Users have indicated that these limitations do not provide sufficient time or certainty to them and are an unacceptable risk when investing in a Power Station or Storage development.

Solution

Users have indicated via UNC Workgroup 0376 they wish to see additional choice introduced to the Ad hoc Application Process and the Annual Application Window process with respect to Enduring annual NTS Exit (Flat) Capacity. This can be achieved through introducing the following changes into the UNC:

Ad hoc Application Process:

- Extend the time for applications from Y+4 to Y+6

Annual Application Window:

- Allow applications during the July Annual Application Window for start dates of the 1st of any month between October Y+4 and September Y+6 rather than the 1st October only.

Background

Q: What is "The Annual Application Window"

A: In a Gas Year (Y) it is the period commencing at 08:00 hours and ending on 17:00 hours on each Business Day in July.

Q: What is "The Ad-Hoc Process"

A: An application for Enduring Annual Exit (flat) capacity may be made at any time between 1 October and 30 June in Gas Year (Y) where the application is new or exceeds 10 Gwh/day or is greater than 125 % of existing baseline

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Impacts & Costs

National Grid NTS has requested a Rough Order Magnitude cost from xoserve to assess the system development costs of the above changes. The ROM costs and timeframes are as follows:

Stage1. Analysis and Testing only of current system for most complex scenarios **Estimated costs:**

The Analysis and Testing will cost at least **£56k**, but probably not more than **£96k**

Estimated duration:

Provision of an Evaluation Quotation Report (EQR) will take at least **2 weeks**, but probably not more than **3 weeks**, from the time that Xoserve receives a Change Order.

Provision of a Business Evaluation Report (BER), produced during an Analysis Phase, will take at least **6 weeks**, but probably not more than **8 weeks**, from the time that Xoserve receives a Business Evaluation Order (BEO).

To carry out the Testing will take at least **6 weeks**, but probably not more than **8 weeks** from the time that Xoserve receives a Change Authorisation.

Stage2. System enhancement of Gemini screens (reports) **Estimated costs:**

The solution will cost at least **£72k**, but probably not more than **£94k**, to implement known report enhancements.

Estimated duration:

Provision of an Evaluation Quotation Report (EQR) will take at least **2 weeks**, but probably not more than **3 weeks**, from the time that Xoserve receives a Change Order.

Provision of a Business Evaluation Report (BER) will take at least **6 weeks**, but probably not more than **8 weeks**, from the time that Xoserve receives a Business Evaluation Order (BEO).

Delivery; including detailed analysis (including BUCs and SUCs), build, test, implementation and post implementation support; will take at least **15 weeks**, but probably not more than **18 weeks** from the time that Xoserve receives a Change Authorisation.

NB. The costs / timescales will increase if the need for further system enhancements are identified during Stage1

Implementation

No implementation timescale is proposed.

The Case for Change

Users have indicated during Workgroup 0376 that they required additional flexibility when applying for Enduring Annual NTS Exit (Flat) Capacity, in effect this proposal will enable Users to make well founded investment decisions as well as offering the flexibility for Users to tailor their capacity requirements closely to the date for which that capacity is required.

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Recommendations

The Proposer recommends that this Proposal should proceed to consultation at the same time as Modification Proposal 0376. The changes introduced as part of this Proposal have been discussed as part of Workgroup 0376.

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2 Why Change?

Currently, Enduring Annual NTS Exit (Flat) Capacity can be applied for during the July Annual Application Window for capacity to be registered as held from 1 October in Gas years Y+4, Y+5 and Y+6. However, this October start date might not suit a User's development time lines both for the application date or the registered start date of holding capacity. This lack of flexibility in choice for any start date other than October may result in inefficient system investment and increased cost to customers because Users may be constrained to timelines that might not be suitable. For example, a Shipper User may prefer to commission a power station during the lower priced summer months when gas and power prices are less volatile than at the start of the winter period in October.

Changing the Enduring Annual NTS Exit (Flat) Capacity registered holding date to the first of any calendar month may result in more efficient network investment because capacity can then be delivered on the date it is required, thus capacity does not have to be paid for when it is not required and this will result in lower cost to their customers.

Developers and Users can also apply for Enduring Annual NTS Exit (Flat) Capacity using an ad-hoc process. However, the ad-hoc process is restricted in that a User cannot signal a Capacity start date that is later than the 1 October Y+4. This limitation does not provide sufficient time where the User wishes to provide National Grid NTS with a longer signal for their Capacity requirement to give National Grid NTS sufficient time to reinforce the network removing an unnecessary risk when investing in a Power Station or Storage development.

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3 Solution

To provide more choice for Users when applying for Enduring annual NTS Exit (Flat) Capacity, the following changes to the UNC are proposed.

Ad hoc Application Process:

- Extend the time for applications from Y+4 to Y+6

Annual Application Window:

- Allow applications made during the July Annual Application Window for Enduring Annual NTS Exit (Flat) Capacity to be registered with effect from the 1st of any month in Gas Year Y+4, Y+5 and Y+6 rather than just the 1st October within each Gas Year.

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4 Relevant Objectives

Implementation is expected to better facilitate the achievement of **Relevant Objectives a, b, c, d, e and f.**

Proposer's view of the benefits against the Code Relevant Objectives

Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Yes
b) 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.	Yes
c) Efficient discharge of the licensee's obligations.	Yes
d) 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.	No
e) 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.	No
f) Promotion of efficiency in the implementation and administration of the Code	No

Standard Special Condition A11 a). Efficient and economic operation of the pipe-line system.

- Implementation of this Proposal would facilitate the provision of more accurate capacity requirements by Users. This would aid National Grid NTS to effectively plan the development of the Transmission system on a more economic and efficient basis.

Standard Special Condition A11 b). Co-ordinated, efficient and economic operation of (i) the combined pipeline system, and/or (ii) the pipeline system of one or more other relevant gas transporters

- Enabling applications during the Annual Application Window for specified dates other than the 1st October is expected to result in more efficient investment by National Grid NTS and lower costs to customers. If Users can specify a non 1st October start date because this suits their development time frame then investment by National Grid NTS can be made on a more timely basis to meet the needs of the customer. This means that NG can invest "Just in Time" and costs can be minimised for customers because they do not have to pay for capacity during periods when they cannot make use of it. For example, a User wants to commission a CCGT starting in April. Currently a User would need to apply for Enduring Annual NTS Exit (Flat) Capacity to be registered with effect from the 1 October six months earlier than the date that is required. The User then has to pay exit capacity charges for those months even though they cannot use the

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Capacity. Thus, the proposed change would enable better facilitation of Relevant Objective (b).

Standard Special Condition A11 c). Efficient discharge of the licensee's obligations

- By extending ad hoc applications from Y+4 to Y+6, Users may give more advance notice to National Grid NTS of their capacity requirements. This increased notice should allow National Grid NTS to plan and invest in the network in a more efficient manner, undertaking activities at the most cost effective time and in the most efficient manner. This would therefore facilitate achievement of GT Licence obligations, enabling better facilitation of Relevant Objective (c).

5 Impacts and Costs

Costs

Indicative industry costs – User Pays

Classification of the proposal as User Pays or not and justification for classification

UNC0376A has been classified as User Pays as changes to xoserves systems and costs of up to £190k have been identified.

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

Modification 0376A potentially benefits all parties, both Shippers and DNOs will benefit from the additional flexibility that the changes to the Adhoc Application and Annual Application Processes will introduce and National Grid NTS may benefit through the receipt of more efficient investment signals.

National Grid NTS proposes the following split of the recovery between Gas Transporters and Users:

Gas Transporters 67%

Users 33%

For information, the cost apportionment was based upon the following:

National Grid NTS receiving 25% of the total costs

The remaining costs are split between Shipper and DNO Users based upon the level of Enduring Annual NTS Exit (Flat) Capacity each party currently holds for the 1st October 2012. This results in:

DNO Users receiving 42% of the total costs

Shipper Users receiving 33% of the total costs

The overall Transporters split is derived by combining together the National Grid NTS and DNO User percentages.

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Proposed charge(s) for application of Users Pays charges to Shippers
<p>The above costs would be pro rated between Shipper Users based on their Enduring Annual NTS Exit (Flat) Capacity holdings as a proportion of the total Enduring Annual 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.</p> <p>These charges will be one off charges invoiced in the month following the implementation of the of the system functionality. The final individually invoiced amount will be subject to an assessment of the Enduring Annual 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. <u>as soon as possible following the implementation of the of the system functionality.</u></p>
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve
TBC

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> Potential Costs
Operational Processes	<ul style="list-style-type: none"> National Grid NTS may be required to amend its operational and planning processes
User Pays implications	<ul style="list-style-type: none"> Potential Costs

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> No material impact
Development, capital and operating costs	<ul style="list-style-type: none"> Reduced Costs due to capacity being booked on a more efficient basis.
Contractual risks	<ul style="list-style-type: none"> Reduced due to Users being able to request variable start months via the annual application process
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None



Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:
<http://www.gasgovernance.co.uk/sites/default/files/0565.zip>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none">• None
Development, capital and operating costs	<ul style="list-style-type: none">• More efficient development of the network due to capacity being signalled further in advance
Recovery of costs	<ul style="list-style-type: none">•
Price regulation	<ul style="list-style-type: none">• None
Contractual risks	<ul style="list-style-type: none">• None
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">• None
Standards of service	<ul style="list-style-type: none">• None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none">• Change to rules required
UNC Committees	<ul style="list-style-type: none">• None
General administration	<ul style="list-style-type: none">• None

Impact on Code	
Code section	Potential impact
UNC TPD B3.2.1	<ul style="list-style-type: none">• Amend to reflect that a User may apply for Enduring Annual NTS Exit (Flat) Capacity from the 1st of any month within Gas Years Y+4, Y+5 & Y+6
UNC TPD B3.2.4(a) (ii)	<ul style="list-style-type: none">• Amend to reflect that a User may apply for Enduring Annual NTS Exit (Flat) Capacity from the 1st of any month within Gas Years Y+4, Y+5 & Y+6
UNC TPD B3.2.4(b) (ii)	<ul style="list-style-type: none">• Amend from Y+4 to Y+6
UNC TPD B3.2.10(c)	<ul style="list-style-type: none">• Amend from Y+4 to Y+6

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Impact on UNC Related Documents and Other Referenced Documents	
ExCR	<ul style="list-style-type: none"> Changes will need to be reflected in document
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none"> None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	<ul style="list-style-type: none"> None
Storage Connection Agreement (TPD R1.3.1)	<ul style="list-style-type: none"> None
UK Link Manual (TPD U1.4)	<ul style="list-style-type: none"> Potential
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> None
Network Code Validation Rules (TPD V12)	<ul style="list-style-type: none"> None
ECQ Methodology (TPD V12)	<ul style="list-style-type: none"> None
Measurement Error Notification Guidelines (TPD V12)	<ul style="list-style-type: none"> None
Energy Balancing Credit Rules (TPD X2.1)	<ul style="list-style-type: none"> None
Uniform Network Code Standards of Service (Various)	<ul style="list-style-type: none"> None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	<ul style="list-style-type: none"> None
Gas Transporter Licence	<ul style="list-style-type: none"> None

Other Impacts	
Item impacted	Potential impact
Security of Supply	<ul style="list-style-type: none"> Improved due to better facilitation of competition be better meeting customer needs
Operation of the Total System	<ul style="list-style-type: none"> None
Industry fragmentation	<ul style="list-style-type: none"> None

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Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none">• Increased certainty and better matching of requirements for developer of NTS Exit Capacity
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6 Implementation

No implementation timescale is proposed.

7 The Case for Change

In addition to that identified the above, the Proposer has identified the following:

Advantages

- Incremental Entry capacity applications benefit from flexible application dates and 1st of month start dates. This mod would better align Entry and Exit processes.

Disadvantages

- Changes to the ExCR will be required.

8 Legal Text

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9 Recommendation

The Proposer invites the Panel to:

- DETERMINE that Modification 0376A progress to Consultation at the same time as Modification Proposal UNC0376

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