

Stage 01: Proposal

0393:

Interruptible to Firm – NTS Supply Points Transition

The Proposal sets out a series of administrative steps that Users will be required to carry out to ensure all Interruptible Supply Points connected to the NTS are recorded on transporter systems as 'Firm' with effect from 1st October 2012. The Proposal also permits National Grid NTS, where those steps are not carried out by the User, to complete these steps on behalf of the User.



The Proposer recommends that this proposal is self-governance and is submitted to Workgroup for assessment.



High Impact:
None



Medium Impact:
None



Low Impact:
Approx 18 Shippers, 29 NTS Supply Points and 43 logical meter points

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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3 **Any questions?**

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About this document:

This document is a Proposal, which will be presented by the Proposer to the Panel on 18 August 2011. The Panel will consider the Proposer's recommendation that this self-governance modification should be referred to a Workgroup for assessment.

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1 Summary

Is this a Self-Governance Modification

It is proposed that this Proposal is treated as a Self Governance Modification Proposal. The Proposal meets the criteria for self-governance in that, if implemented, it is unlikely to

- (a) have a material effect on
- existing or future gas consumers; and
 - 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
 - the operation of one or more pipe-line system(s); and
 - matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
 - the uniform network code governance procedures or the network code modification procedures; and
- (b) discriminate between different classes of parties to the uniform network code / relevant gas transporters, gas shippers or DN operators.

Why Change?

As a result of UNC modification 195AV, from 1st October 2012, Interruptible Supply Point Components will no longer exist on the NTS. It is necessary, therefore, that affected NTS Supply Points transition from Interruptible status to Firm.

Solution

Users should take the lead in the process to remove NTS Interruptible Supply Points from the relevant Transporter systems. This Proposal creates an obligation on Users to do so. However, where a User does not take the appropriate action, this Proposal establishes the authority for National Grid NTS to take appropriate action on the Users' behalf.

Impacts & Costs

It is anticipated that Shippers will incur administrative costs in respect of this Proposal. These costs are expected to be minimal, so it is proposed that each Shipper bears their own costs. National Grid NTS will also incur limited administrative costs which should be borne by National Grid NTS.

Further minimal administrative costs will be incurred by the Transporters' agent in managing the Supply Point Administration processes whether initiated by a User or by National Grid NTS.

This Proposal uses existing systems and processes so there will be no systems development costs for any party.

Implementation

If the decision the Authority is received on or before 28th February 2012 implementation will be on 1st March 2012. This will allow maximum time for Users to proactively manage their own portfolio of NTS Supply Points.

If the decision of the Authority is received after 28th February 2012 but on or before 31st July 2012 implementation will be on the first business day following notice of



This Proposal refers throughout to NTS Supply Points. What about CSEPs?

The process for changing the status of Connected System Exit Points (CSEPs), which includes Storage Connections and Interconnectors, is not stated in UNC. These connections have Ancillary Agreements. A separate UNC modification Proposal is being considered which will facilitate changes to these Agreements and the transition of Interruptible to Firm status for all CSEPs.

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the decision, i.e. no later than 1st August 2012. This will give Users sufficient time to proactively manage their portfolios.

If notice of the Authority decision is received after 31st July 2012, implementation will be on the first business day following notice of the decision. National Grid NTS will require one month to manage the necessary changes on behalf of Users.

The Case for Change

Implementation of Modification 195AV requires that all NTS Supply Points are set up as Firm. National Grid NTS believes that the most efficient and comprehensive way of ensuring that existing Interruptible Supply Points transition to Firm is for relevant Users to be obliged to undertake the necessary changes, but with a fallback allowing National Grid NTS to undertake changes in the event that Users do not. Hence, relevant objective (f) "Promotion of efficiency in the implementation and administration of the Code" would be better facilitated by implementation.

Recommendations

The Proposer invites the Panel to determine that this modification Proposal 0393 progresses to Workgroup.

2 Why Change?



What is a Supply Point Component?

A Supply Point (whether or not this consists of one or more metered exit point) may be subdivided for commercial purposes into a "Firm Supply Point Component" and an "Interruptible Supply Point Component". Where there are multiple Users at a Supply Point (a Shared Supply Point) there may be one or more registered Users for each Supply Point Component.

We have raised this proposal to ensure that the status of all NTS Supply Points is recorded as "Firm" on Transporter systems such that contractual and operational statuses are aligned and are consistent with UNC. This needs to be effective from the commencement of the revised NTS exit regime, i.e. 1st October 2012.

As a result of UNC modification 195AV, from 1st October 2012, Interruptible Supply Point Components will no longer exist on the NTS. It is necessary, therefore, that affected NTS Supply Points transition from Interruptible status to Firm. This modification Proposal has been raised to give effect to and facilitate the envisaged transition. The change is event related and the rules introduced will be transitional in nature; implementation will have no enduring effect on the operation of the UNC.

When a Shipper becomes a registered User at an NTS Supply Point a unique individual "logical meter number – LMN" is created for that Shipper at that Supply Point. A second LMN will be created if the Shipper is registered at both the Interruptible and Firm Supply Point Components. The LMN is the reference against which Users can make gas flow nominations for each Gas Day. Subsequently actual gas flows are allocated against these LMNs. Whenever there is a change of status, or new Shipper at a Supply Point Component, a new LMN is created. Hence, the transition from Interruptible to Firm will always involve the removal of the existing Interruptible LMN (and any Firm LMNs at Shared Supply Meter Points – "SSMPs"). In addition, a new Firm LMN will be created for each relevant Shipper.

It should be noted that from 1st October 2012 a User is not required to be registered as holding NTS Exit (Flat) Capacity that is Firm, but that the Supply Point must be Firm. The User may book Off-peak Daily NTS Exit (Flat) Capacity without being registered as holding Firm capacity.

UNC TPD Section A4.4.3 states that an NTS Supply Point may not be an Interruptible Supply Point. However, until 1st October 2012 transitional rules apply and the Transition Document (Part IIC) paragraph 11.1.1 allows for NTS Interruptible Supply Points with paragraph 5.3 providing for Users to redesignate Supply Points as Firm; but paragraph 5.3. does not require Users to do so. Except in certain defined circumstance (not relevant to this Proposal) UNC does not allow Transporters to initiate the changes on the User's behalf.

Notwithstanding the requirements of paragraph 5, and the timescales within paragraph 5 of the Change Request Deadline in respect of an Eligible Status Change Date, this Proposal, if implemented, will ensure that the necessary transition from Interruptible to Firm will be undertaken by 1st October 2012.

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3 Solution



What are allocation arrangements?

For a Shared Supply Meter Point it is necessary to allocate physically metered quantities to commercial LMNs. In the event that individual quantities are not provided for each LMN by Shippers (or their agent) a standing default will apply. The default is provided in a notice to Xoserve, e.g. Shipper A (Firm): 80%, Shipper B (Interruptible): 20%.

Will there be an impact on SSMP administration charges?

SSMP administration charges will continue to apply. However, this Proposal will have no impact on these charges except that some SSMPs (i.e. single shipper with both Firm and Interruptible) will no longer be SSMPs and will not attract further charges.

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In order to facilitate the transition from Interruptible to Firm a one-off change to Supply Point status is required. If implemented, this Proposal will introduce this specific change.

It is our preference that Users take the lead in the process to remove Interruptible Supply Points on the NTS from Transporter systems. This is particularly relevant for multi-Shipper SSMPs where, following the removal of Interruptible Supply Point Components, Shippers may wish to revise allocation arrangements. A reconfirmation in respect of a multi-Shipper SSMP will require to be completed by all relevant Shippers, even those who are Firm only, and this will include confirmation of allocation arrangements.

Where a User does not take the appropriate action, this Proposal establishes the authority for National Grid NTS to take appropriate action on the Users' behalf.

- 1. It is proposed that each User is required, before 1st September 2012, in respect of affected NTS Supply Points, to complete the conversion of such Supply Points from Interruptible status to Firm status with an effective date of 1st October 2012.**

With the exception of 1st October 2012, a reconfirmation for an affected Supply Point (i.e. any Supply Point, including Shared Supply Meter Points, with an Interruptible Supply Point Component) requested to take effect on another date during the period 1st September 2012 to 12th October 2012 will be rejected.

- 2. It is further proposed that, where Users fail to comply with the above requirement, as from 1st September 2012, National Grid NTS will undertake such actions on the Users' behalf.**

All parameters relating to the User at the Interruptible Supply Point Component shall be replicated for the existing or new Firm Supply Point Component except for; the Interruptible status and the aggregation of current Interruptible allocation arrangements and SOQs to the same User's Firm (if any) quantities.

Shipper Driven Process

To facilitate the re-designation of affected Supply Points, Users shall, consistent with existing Supply Point Administration processes, nominate and reconfirm as Firm, each of their Interruptible Supply Points (including SSMPs). The reconfirmation shall be submitted no later than 31st August 2012 with an effective date of 1st October 2012. The nomination shall be submitted on a date that ensures that the reconfirmation can be submitted, in line with Supply Point Administration rules stated in UNC Section G, as required.

Transporter Process

If, on 1st September 2012, there is no Supply Point reconfirmation for an affected Supply Point in the Transporter systems National Grid NTS will create a Supply Point reconfirmation on behalf of the incumbent User with a proposed effective date of 1st

October. An indication of the action to be taken for each site configuration scenario is provided below (see Transporter Action).

Site Configuration	Existing Allocations	Transporter Action	Revised Configuration	New Allocations
Single Shipper (Int only)	100 %	Close Int LMN Create new Firm LMN	Single Shipper (Firm only)	100 %
Single Shipper (Firm & Int)	Firm: X % Int: Y %	Close F & I LMNs Create new Firm LMN Create new site ID*		
Multi-Shipper (Int only)	Shipper A Int: X % Shipper B Int: Y %	Close all existing Firm & Int LMNs Create new Firm LMNs for each Shipper.	Multi-Shipper (Firm only)	Shipper A: X % Shipper B: Y %
Multi-Shipper (Firm & Int combinations)	Shipper A Firm: X % Shipper B Int: Y %			Shipper A: W+X % Shipper B: Y+Z %
	Shipper A Firm: W % Shipper A Int: X % Shipper B Firm: Y % Shipper B Int: Z %			Shipper A: X+Y % Shipper B: Z %
	Shipper A Firm: X % Shipper A Int: Y % Shipper B Firm: Z %			
	Shipper A Firm: X % Shipper A Int: Y % Shipper B Int: Z %			

* When an existing Supply Point becomes a Shared Supply Point (and vice versa) a new site ID is created. This is irrespective of the change from Interruptible to Firm status.

4 Relevant Objectives

Implementation is expected to better facilitate the achievement of **Relevant Objective 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.	No
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.	No
c) Efficient discharge of the licensee's obligations.	No
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	Yes

As part of the implementation of Modification 195AV, with effect from 1st October 2012, it is a requirement of the UNC that all NTS Exit Points are set up as Firm. National Grid NTS believes that the most efficient and comprehensive way of ensuring that existing Interruptible Supply Points transition to Firm is for relevant Users to be obliged to undertake the necessary changes with effect from the relevant date, but with a fallback allowing National Grid NTS to undertake changes in the event that Users do not. Hence, we believe that it is relevant objective (f) that would be better facilitated by implementation.

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5 Impacts and Costs



How much administration is involved?

Approximately 18 Users will be required to submit nominations covering 29 NTS Exit Points. Mostly one submission per User; highest is five. Approximately 34 transactions will need to be undertaken by Xoserve.

Costs

It is anticipated that Shippers will incur administrative costs in respect of this Proposal. These costs are expected to be minimal, so it is proposed that each Shipper bears their own costs. National Grid NTS will also incur limited administrative costs which should be borne by National Grid NTS.

Further minimal administrative costs will be incurred by the Transporters' agent in managing the Supply Point Administration processes whether initiated by a User or by National Grid NTS.

This Proposal does not require any systems changes so there will be no systems development costs for any party.

The Proposer would welcome views on this assessment of likely costs.

Indicative industry costs – User Pays
Classification of the proposal as User Pays or not and justification for classification
This is not a "User Pays" Proposal. The Proposal is required to implement an element of NTS Exit reform under proposal 195AV, so it is proposed that no costs are recharged to Users.
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
Proposed charge(s) for application of Users Pays charges to Shippers
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	• None
Operational Processes	• None
User Pays implications	• None

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Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> • Users will be required to re-register their Interruptible Supply Points as Firm. • All Shippers at SSMPs need to confirm allocation arrangements. • New LMNs will be created for all Shippers at affected Supply Points. • A new site ID will be created for sites changing from SSMP to standard.
Development, capital and operating costs	• None – existing processes will be used
Contractual risks	• None identified
Legislative, regulatory and contractual obligations and relationships	• None identified

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	• None
Development, capital and operating costs	• None
Recovery of costs	• None
Price regulation	• None
Contractual risks	• None
Legislative, regulatory and contractual obligations and relationships	• None
Standards of service	• None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	• None
UNC Committees	• None
General administration	• None

Impact on Code

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Impact on Code	
Code section	Potential impact
Transition Document IIC	Temporary rules will be required to require Users, and in default National Grid NTS, to change the status of Interruptible Supply Points.

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	None
Storage Connection Agreement (TPD R1.3.1)	None
UK Link Manual (TPD U1.4)	None
Network Code Operations Reporting Manual (TPD V12)	None
Network Code Validation Rules (TPD V12)	None
ECQ Methodology (TPD V12)	None
Measurement Error Notification Guidelines (TPD V12)	None
Energy Balancing Credit Rules (TPD X2.1)	None
Uniform Network Code Standards of Service (Various)	None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None
Gas Transporter Licence	None

Other Impacts	
Item impacted	Potential impact
Security of Supply	None

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Operation of the Total System	None
Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	None

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6 Implementation

If the decision the Authority is received on or before 28th February 2012 implementation will be on 1st March 2012. This will allow maximum time for Users to proactively manage their own portfolio of NTS Supply Points.

If the decision of the Authority is received after 28th February 2012 but on or before 31st July 2012 implementation will be on the first business day following notice of the decision, i.e. no later than 1st August 2012. This will give Users sufficient time to proactively manage their portfolios.

If notice of the Authority decision is received after 31st July 2012, implementation will be on the first business day following notice of the decision. National Grid NTS will require one month to manage the necessary changes on behalf of Users.

7 The Case for Change

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

Advantages

To ensure that the Transporter can take the necessary steps to be compliant with UNC where the User has not done so.

Minimise disruption to the normal running of the UNC.

Disadvantages

The conversion period covers a busy time in the Supply Point calendar, but it is anticipated that these operational difficulties can be effectively mitigated if sufficient time is allowed to manage the process.

8 Legal Text

The following Suggested Text has been provided by the Proposer for this modification:

Transition Document Part IIC

Amend paragraph 5.3.1 (a) to read as follows:

- "5.3.1 Where a Supply Point is for the time being an Interruptible Supply Point:
- (a) ~~subject to paragraph 5.3.2 and except where the Supply Point is or is to be a TNI Supply Point, the Registered User may shall~~ redesignate the Supply Point as Firm with effect from an Eligible Status Change Date, by giving notice to the Transporter not later than the Change Request Deadline and in any event by no later than 31 August 2012;"

Add new paragraph 5.3.10 to read as follows:

- "5.3.10 Where a Supply Point is for the time being an Interruptible Supply Point:
- (a) by no later than 31 August 2012, a User of an Interruptible Supply Point shall by submitting a Supply Point Reconfirmation apply to change its status to a Firm Supply Point with effect from 1 October 2012.
 - (b) a User of an Interruptible Supply Point may not apply to change its status to a Firm Supply Point with a Supply Point Registration Date on a date between 1 September and 12 October 2012 (inclusive) other than on 1 October 2012.
 - (c) where any application by a User of an Interruptible Supply Point to change its status to a Firm Supply Point does not comply with paragraph 5.3.10 (b) it shall be rejected by the Transporter.
 - (d) where any User of an Interruptible Supply Point does not apply to change its status to a Firm Supply Point in accordance with paragraph 5.3.10 (a), or where its application is rejected in accordance with paragraph 5.3.10 (c), the User shall be deemed have granted the Transporter the authority to do so on 31 August 2012 and the Transporter, by creating a Supply Point Offer and submitting a Supply Point Reconfirmation, shall change the status of an Interruptible Supply Point to a Firm Supply Point on 1 October 2012.
 - (e) where the Transporter creates a Supply Point Offer and submits a Supply Point Reconfirmation pursuant to paragraph

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5.3.10 (d) it will include within it all existing details relating to the existing Supply Point to generate the Supply Point Offer and Supply Point Reconfirmation.

(f) in the event of a conflict between the provisions of paragraph 5.3.10 and any other provision of paragraph 5, paragraph 5.3.10 shall apply.”

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9 Recommendation

The Proposer invites the Panel to:

- DETERMINE that Modification 0393 progresses to Workgroup

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