

Stage 03: Draft Modification Report

0409S:

Removing the restriction on the Users' application quantity for Annual NTS Exit (Flat) Capacity

This modification seeks to remove a UNC provision that may restrict Users from placing applications for discretionary NTS Exit (Flat) Capacity during the Annual Application Window.



Responses invited by 05 April 2012.



High Impact: -



Medium Impact: -



Low Impact: Shippers, DN Users and National Grid NTS

At what stage is this document in the process?



0409S

Draft Modification Report

15 March 2012

Version 1.0

Page 1 of 11

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Contents

- 1 **Summary**
- 2 **Why Change?**
- 3 **Solution**
- 4 **Relevant Objectives**
- 5 **Impacts and Costs**
- 6 **Implementation**
- 7 **The Case for Change**
- 8 **Legal Text**
- 9 **Recommendation**

About this document:

This document is a Draft Modification Report, which was issued for consultation responses, at the request of the Panel on 15 March 2012.

The close-out date for responses is 05 April 2012.

The Panel will consider the responses and agree whether or not this self-governance modification should be made.



3 **Any questions?**

4 **Contact:**
4 **Joint Office**

4  enquiries@gasgovernance.co.uk

5  **0121 623 2115**

6 Proposer:
9 **Sarah Lloyd**

10  sarah.lloyd@uk.ngrid.com

11  **01926 654 246**

Transporter:
National Grid NTS

Xoserve:


commercial.enquiries@xoserve.com

0409S

Draft Modification Report

15 March 2012

Version 1.0

Page 2 of 11

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1 Summary



Is this a Self-Governance Modification?

The Modification Panel determined that this is a self-governance modification.

Why Change?

Modification 0290, implemented in July 2010, enabled the release of additional Annual NTS Exit (Flat) Capacity at the discretion of National Grid NTS. However, this did not remove a provision in Annex B-1 of TPD Section B that restricts the quantity of Annual NTS Exit (Flat) Capacity that Users can apply for, and which subsequently may unnecessarily limit the quantity of discretionary Annual NTS Exit (Flat) Capacity released to the market.

Solution

The proposed solution is to amend UNC TPD Section B Annex B-1 to remove paragraph, 3.1 (f) (ii).

Impacts and Costs

Implementation would clarify the UNC and bring it in line with established practice. No implementation costs would be incurred.

Implementation

Since this modification relates to the Annual Application Window, implementation prior to July 2012 would be desirable. As a self-governance modification, implementation could be 16 business days after a Modification Panel decision to implement.

The Case for Change

By removing a provision that could unnecessarily prevent Users from applying for Annual NTS Exit (Flat) Capacity – capacity that could be released at National Grid NTS' discretion - implementation would clarify the operation of the UNC and ensure the intention of Modification 0290 is not undermined. This would be consistent with facilitating efficient administration of the UNC.

Recommendation

All parties are invited to consider whether they wish to submit views regarding this self-governance modification.

Discretionary Annual NTS Exit (Flat) Capacity

Discretionary Annual NTS Exit (Flat) Capacity is defined as the amount of Annual NTS Exit (Flat) Capacity which National Grid NTS may decide to release for in its absolute discretion in addition to the Baseline NTS Exit (Flat) Capacity.

0409S

Draft Modification Report

15 March 2012

Version 1.0

Page 3 of 11

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2 Why Change?

Modification 0290, implemented on 20 July 2010, enabled the release of additional Annual NTS Exit (Flat) Capacity at the discretion of National Grid NTS.

Following the implementation of Modification 0290 a provision in Annex B-1 of UNC TPD Section B was noted which restricts the quantity of Annual NTS Exit (Flat) Capacity that Users can individually place applications for which subsequently may limit the quantity of discretionary Annual NTS Exit (Flat) Capacity released to the market. Under the aforementioned provision it is only possible for National Grid NTS to release discretionary Annual NTS Exit (Flat) Capacity where two or more Users place requests that individually are less than the Remaining Available quantity, but when considered in aggregate they total a quantity greater than the Remaining Available quantity. The effect of the restriction discussed is particularly noticeable for single User NTS Exit Points where it would prevent the User from placing a request for an amount greater than the Remaining Available quantity and therefore prevent any discretionary release at that NTS Exit Point. It is also particularly noticeable for NTS Exit Points where Remaining Available NTS Exit (Flat) Capacity is 0kWh, meaning that no User will be able to place a request for any quantity of Annual NTS Exit (Flat) Capacity. This restriction was not recognised in the development of and was not the intention of Modification 0290. For the purposes of the Annual Application Window for Annual NTS Exit (Flat) Capacity starting 01 July 2011, National Grid NTS, after discussion with the Authority, did not seek to enforce the aforementioned restriction, hence Users were individually able to apply for Annual NTS Exit (Flat) Capacity in excess of the Remaining Available NTS Exit (Flat) Capacity at a location and National Grid NTS was able to consider releasing additional capacity in respect of such applications at its discretion, as intended by Modification 0290. Implementation would therefore regularise the established position.



UNC TPD B3.1.6(b)(ii)

Remaining Available NTS Exit (Flat) Capacity is defined in the UNC as the amount of capacity (if any) by which the Baseline NTS Exit (Flat) Capacity for the Gas Year exceeds the aggregate amount of NTS Exit (Flat) Capacity registered at that time, as held by Users in relation to that Gas Year or Day.

3 Solution

The proposed solution is to amend UNC TPD Section B Annex B-1 to remove paragraph, 3.1 (f) (ii). This would allow Users to individually be able to apply for Annual NTS Exit (Flat) Capacity in excess of the Remaining Available NTS Exit (Flat) Capacity at a location.

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
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	Positive
g) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	No

Achievement of relevant objective (f) "Promotion of efficiency in the implementation and administration of the Code"

This modification will facilitate the promotion of efficiency in the implementation and administration of the Code as it clarifies the UNC and removes an obligation which has been disregarded in practice.

5 Impacts and Costs

Consideration of Wider Industry Impacts

None identified.

Costs

Indicative industry costs – User Pays
Classification of the modification as User Pays or not and justification for classification
Not User Pays.
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
N/A
Proposed charge(s) for application of Users Pays charges to Shippers
N/A
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve
N/A

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> None
Operational Processes	<ul style="list-style-type: none"> None
User Pays implications	<ul style="list-style-type: none"> None

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> Users will be more confident that, individually, they will be able to apply for a quantity of NTS Exit (Flat) Capacity above the level of Remaining Available NTS Exit (Flat) Capacity.
Development, capital and operating costs	<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 Users	
Contractual risks	<ul style="list-style-type: none"> Removes the risk that interpretation of the UNC may change in future and the potential restriction on applications will be enforced
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None

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"> None
Recovery of costs	<ul style="list-style-type: none"> None
Price regulation	<ul style="list-style-type: none"> None
Contractual risks	<ul style="list-style-type: none"> Regularises the position where a UNC obligation is not being enforced, reducing contractual risk
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"> None
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 Section B Annex B-1 3.1(f)(ii)	<ul style="list-style-type: none"> Removal of paragraph

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact

Impact on UNC Related Documents and Other Referenced Documents	
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
Operation of the Total System	• None
Industry fragmentation	• None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	• None

6 Implementation

Since this modification relates to the Annual Application Window it would be desirable for implementation to take place prior to 01 July 2012.

As self-governance procedures are proposed, implementation could be 16 business days after a Modification Panel decision to implement.

7 The Case for Change

None in addition to that above.

8 Legal Text

Legal Text provided by National Grid NTS

TPD Section B Annex B-1

Amend paragraph 3.1 to read as follows:

3 Capacity bids, capacity offers and capacity applications

3.1 When submitting a capacity bid, a capacity offer or a capacity application a User shall specify:

- (a) the identity of the User;
- (b) whether the User is making a capacity bid, capacity offer or a capacity application;
- (c) the class of NTS Exit Capacity subject to the bid, offer or a capacity application;
- (d) the NTS Exit Point in respect of which the bid or offer is made;
- (e) in the case of:
 - (i) an annual capacity application, the Gas Year or Gas Years,
 - (ii) a daily capacity bid or capacity offer, the Day in respect of which the bid, offer or capacity application is made;
- (f) the amount ÷
 - (i) ~~——(being not less than the minimum eligible amount) of NTS Exit (Flat) Capacity subject to the capacity bid, capacity offer or capacity application;~~
 - (ii) ~~—— in the case of a capacity application, being not greater than the Remaining Available NTS Exit Flat Capacity);~~
- (g) the minimum amount (being not less than the minimum eligible amount) of NTS Exit (Flat) Capacity the User is willing to be allocated;
- (h) in the case of a capacity bid, the amount ("**bid price**") in pence/kWh/Day, which shall not be less than the applicable reserve price, which the User is willing to pay by way of NTS Exit (Flat) Capacity Charges in respect of the NTS Exit (Flat) Capacity applied for;

- (i) in the case of a capacity offer, the amount ("**offer price**") in pence/kWh/Day, which the User wishes to be paid in respect of the surrender of Daily NTS Exit (Flat) Capacity (which amount may be negative);
- (j) in the case of a capacity bid or capacity offer for Daily NTS Exit (Flat) Capacity, whether it is a fixed or reducing bid or offer.

9 Recommendation



Consultation Ends

On 05 April 2012

All parties are invited to consider whether they wish to submit views regarding this self-governance modification.

The close-out date for responses is 05 April 2012, which should be sent to enquiries@gasgovernance.co.uk.

A response template, which you may wish to use, is at www.gasgovernance.co.uk/0409