

## Stage 01: Proposal

# 0409:

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

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



The Proposer recommends that this modification should be subject to the self-governance process and that it should proceed to Workgroup for assessment.



High Impact:  
N/A



Medium Impact:  
N/A



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

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 a modification, which will be presented by the Proposer to the Panel on 15<sup>th</sup> December 2011. The Panel will consider the Proposer's recommendation, and agree whether this modification should proceed to consultation or be referred to a Workgroup for assessment.



3 **Any questions?**

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# 1 Summary



## 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.

## Is this a Self-Governance Modification

National Grid NTS believe that this modification should be subject to Self-Governance since implementation would be:

- (i) unlikely to have a material effect on
  - (a) existing or future gas consumers; and
  - (b) 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
  - (c) the operation of one or more pipe-line system(s); and
  - (d) matters relating to sustainable development, safety or security of supply, or the management of April 2011 (v8.2) 176 market or network emergencies; and
  - (e) the uniform network code governance procedures or the network code modification procedures; and
- (ii) Implementation of this modification is unlikely to discriminate between different classes of parties to the uniform network code / relevant gas transporters, gas shippers or DN operators.

## Why Change?

Modification 0290, implemented by the Authority 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.

## Solution

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

## Impacts & Costs

There would be no systems implications resulting from the proposed change. Therefore this Modification is not a User Pays Modification.

## Implementation

Since this Modification could have an impact on the Annual Application Window it would be desirable for an implementation date prior to 01 July 2012. As a Self-Governance Modification, implementation could be 16 business days after a Modification Panel decision to implement.

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## The Case for Change

National Grid NTS believe that this change is necessary to remove a provision in the code which may prevent Users from individually applying for Additional Annual NTS Exit (Flat) Capacity that could be released at National Grid NTS' discretion, as introduced through the implementation of Modification 0290.

## Recommendations

The proposer invites the UNC Modification Panel to recommend that this Modification proceeds to a Workgroup for assessment.

## 2 Why Change?



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### UNC TPD B3.1.6(b)(ii)

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**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

Modification 0290, implemented by the Authority 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. National Grid NTS wish for it to be noted that 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 1st 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.

### 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.

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## 4 Relevant Objectives

Implementation is expected to better facilitate the achievement of **Relevant Objectives a, d 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.	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.	Yes
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
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 (a) "Efficient and economic operation of the pipe-line system"

Implementation of Modification 0290 enabled National Grid NTS to release additional Annual NTS Exit (Flat) Capacity, where it is available, to the market in response to industry demand. This was considered to promote a more efficient use of existing NTS Exit (Flat) Capacity. This Modification further facilitates this by removing the restriction on Users which would prevent a User from individually being able to apply for Annual NTS Exit (Flat) Capacity in excess of the Remaining Available NTS Exit (Flat) Capacity at a location.

### Achievement of relevant objective (d) "Securing of effective competition between relevant shippers, suppliers and DN operators"

We recognise and agree with the views presented by the Authority in their decision letter relating to Modification 0290, and since this Modification further facilitates the same goals we now consider that this Modification has the potential to better facilitate competition between shippers. If Users were restricted when placing applications for

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Annual NTS Exit (Flat) Capacity this would have the potential to inhibit the ability of Shippers to meet customer demand. By allowing National Grid NTS to release additional Annual NTS Exit (Flat) Capacity in response to individual User demand we believe that the Modification has the potential to provide shippers with greater commercial flexibility.

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

This Modification will further facilitate the promotion of efficiency in the implementation and administration of the Code as it fully reflects the intention of Modification 0290. This change would also clarify UNC, thereby promoting efficiency in administration of the code.



## 5 Impacts and Costs

### Consideration of Wider Industry Impacts

National Grid NTS believes there are no significant impacts of this Modification.

### Costs

Indicative industry costs – User Pays	
Classification of the proposal 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"> <li>None</li> </ul>
Operational Processes	<ul style="list-style-type: none"> <li>None</li> </ul>
User Pays implications	<ul style="list-style-type: none"> <li>None</li> </ul>

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> <li>Users will individually be able to apply for a quantity of NTS Exit (Flat) Capacity above the level of Remaining Available NTS Exit (Flat) Capacity.</li> </ul>
Development, capital and operating costs	<ul style="list-style-type: none"> <li>None</li> </ul>
Contractual risks	<ul style="list-style-type: none"> <li>None</li> </ul>



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

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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:  
[www.gasgovernance.co.uk/sites/default/files/0565.zip](http://www.gasgovernance.co.uk/sites/default/files/0565.zip)

Impact on Users	
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"><li>• None</li></ul>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"><li>• None</li></ul>
Development, capital and operating costs	<ul style="list-style-type: none"><li>• None</li></ul>
Recovery of costs	<ul style="list-style-type: none"><li>• None</li></ul>
Price regulation	<ul style="list-style-type: none"><li>• None</li></ul>
Contractual risks	<ul style="list-style-type: none"><li>• None</li></ul>
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"><li>• None</li></ul>
Standards of service	<ul style="list-style-type: none"><li>• None</li></ul>

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

Impact on Code	
Code section	Potential impact
UNC TPD Section B Annex B-1 3.1(f)(ii)	<ul style="list-style-type: none"><li>• Removal of paragraph</li></ul>

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none"><li>• None</li></ul>
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	<ul style="list-style-type: none"><li>• None</li></ul>
Storage Connection Agreement (TPD R1.3.1)	<ul style="list-style-type: none"><li>• None</li></ul>
UK Link Manual (TPD U1.4)	<ul style="list-style-type: none"><li>• None</li></ul>

Impact on UNC Related Documents and Other Referenced Documents	
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 could have an impact on the Annual Application Window it would be desirable for implementation to take place prior to 01 July 2012. As a self-governance Modification, implementation could be 16 business days after a Modification Panel decision to implement.

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## 7 The Case for Change

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

### Advantages

The quantity of Annual NTS Exit (Flat) Capacity which Users can apply for when placing requests in the Annual Application Window will not be restricted. This means that Users will be able to apply for Additional Discretionary NTS Exit (Flat) Capacity as intended by Modification 0290.

### Disadvantages

Removal of the aforementioned UNC provision could result in Users applying for large quantities in order to gain a higher pro-rated quantity of available Annual NTS Exit (Flat) Capacity made available at an NTS offtake(s). National Grid NTS believe that, although possible, such behaviour is unlikely and no evidence of such behaviour was noted in the July 2011 Annual Application Window, we will however continue to monitor the situation as appropriate.

## 8 Legal Text

### Suggested Text

#### 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.

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## 9 Recommendation

The Proposer invites the Panel to:

- Determine that Modification 0409 progress to Workgroup for assessment.

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