

# 0413S:

## DN Adjustment of notices for the reduction of Enduring Annual NTS Exit (Flat) Capacity

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This modification removes a restriction on Distribution Network Operators that may prevent the adjustment to Y+1, Y+2 or Y+3 reduction notices, as part of the annual process, of Enduring Annual NTS Exit (Flat) Capacity.



Panel voted to implement



High Impact: N/A



Medium Impact: N/A



Low Impact: National Grid Transmission and Distribution Network Operators.

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## About this document:

This document is a Final Modification Report, presented to the Panel on 17 May 2012.

The Panel will consider the views presented and decide whether or not this self-governance change should be made.




### 3 Any questions?

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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?

Following implementation of Modification 0195AV National Grid NTS has conducted several July Enduring Annual NTS Exit (Flat) Capacity application windows. Based upon this experience they have identified an issue with the existing annual DN adjustment window process that restricts DNO Users from reasonably adjusting Enduring Annual NTS Exit (Flat) Capacity reduction requests for Gas Years Y+1, Y+2 and/or Y+3. This may restrict the DNO User's opportunity to revise (i.e. amend an existing unallocated increase/reduction request or submission of a new increase/reduction request) their Enduring Annual NTS Exit (Flat) Capacity position for Gas Years Y+4, Y+5 and/or Y+6 in the event that National Grid NTS has partially accepted or rejected the DNO Users flexibility and/or pressure requirements for Gas Years Y+4, Y+5 and/or Y+6. Currently DNO Users are permitted to reasonably revise increase and reduction requests only for Gas Years Y+4, Y+5 and Y+6.

## Solution

The proposed solution is to reasonably allow DNO Users to submit revised Enduring Annual NTS Exit (Flat) notices of reduction for Gas Years Y+1, Y+2 and Y+3 in addition to those adjustments currently permitted. The rejection rights of National Grid NTS will be the same as those for currently permitted adjustments. This solution should be achieved through amendment of Section B of the UNC Transportation Principal Document (TPD).

## Impacts and Costs

There are no systems implications and therefore no system costs are anticipated as a result of this modification. This modification is therefore not a User Pays modification. No other costs have been identified.

## Implementation

As a self-governance modification, implementation could be 16 business days after a Panel decision to implement.

## The Case for Change

The enduring nature of the Enduring Annual NTS Exit (Flat) Capacity product means that reductions in Gas Years Y+1, Y+2 or Y+3 affect the flat capacity entitlement for Gas Years Y+4, Y+5 and Y+6. If the DNO User requirements for changes in flexibility or pressure for Gas Years Y+4, Y+5 or Y+6 are rejected or not met in full then the DNO User may wish to reasonably adjust its flat capacity for these years – including revision of reductions in Gas Years Y+1, Y+2 or Y+3.

Thus for DN pipeline systems there may be some opportunity for more economic operation because Enduring Annual NTS Exit (Flat) Capacity requests could be adjusted more accurately in the light of partial fulfilment of flexibility and/or pressure requests for Gas Years Y+4, Y+5 or Y+6.

Potentially more accurate expression of DNO User requirements for flat capacity may enable National Grid NTS to make better informed operational planning and investment decisions, and reduce the risk of some sterilised NTS Exit capacity.

## 2 Why Change?

Following implementation of Modification 0195AV National Grid NTS has conducted several July Enduring Annual NTS Exit (Flat) Capacity application windows. Based upon this experience they have identified an issue with the existing annual DN adjustment window process. The identified issue may, under certain circumstances, restrict the DNO User's opportunity to reasonably manage their Enduring Annual NTS Exit (Flat) Capacity position for Gas Years Y+4, Y+5 or/and Y+6 in the event that National Grid NTS have partially accepted or rejected the DNO Users flexibility and/or pressure requirements for Gas Years Y+4, Y+5 and/or Y+6.

The UNC currently allows each DNO User to reasonably revise (i.e. amend an existing unallocated increase/reduction request or submit a new increase/reduction request) its requests for Gas Years Y+4, Y+5 and Y+6 for Enduring Annual NTS Exit (Flat) Capacity in response to indicative flexibility and pressure availability in Gas Years Y+4, Y+5 and Y+6 that only partially fulfils their initial requests. The UNC does not currently permit revised reduction requests for Gas Years Y+1, Y+2 and Y+3. This potentially creates an unnecessary limitation on the DNO Users ability to adjust their Enduring Annual NTS Exit (Flat) Capacity.

The relevant steps in the DNO adjustment process are as follows, showing the proposed revision **in bold** in step C:

### **A) Annual Application Window (July)**

Users submit applications for increase in and notices of reduction of Enduring Annual NTS Exit (Flat) Capacity.

DNO Users submit new or amended requests for NTS Exit (Flexibility) Capacity

DNO Users submit new or amended requests for Assured Offtake Pressures

### **B) Indicative flexibility and pressure statements (within 15 business days following the last day of July)**

National Grid NTS provides to DNO Users indicative statements of flexibility capacity and indicative statements of available Assured Offtake Pressures, detailing where DNO User requests are accepted in whole or in part or rejected.

### **C) DNO User resubmission of Enduring Annual NTS Exit (Flat) Capacity, flexibility and pressures (within 10 business days of indicative statements)**

Where full acceptance of flexibility or pressure requests is not indicated, DNO Users may revise these requests. In the case of flexibility or pressure for Gas Years Y+4, Y+5 or Y+6, the DNO User may also revise its applications for increase in and notices of reduction of Enduring Annual NTS Exit (Flat) Capacity for Gas Years **(replace Y+4, Y+5 or Y+6 with) Y+4, Y+5 or Y+6 for increases and for notices of reduction for Gas Years Y+1 to Y+6 inclusive.** (See below for explanation.)

National Grid NTS then considers whether the revised Enduring Annual NTS Exit (Flat) Capacity requests are consistent with rejection or acceptance in part only of flexibility and pressure requests.

National Grid NTS also considers and discusses with DNO Users their revised requests for flexibility and pressure with a view to these being agreed by both parties by 30<sup>th</sup> September.

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**D) Statements of flexibility and pressure and Enduring Annual NTS Exit (Flat) Capacity (30<sup>th</sup> September)**

National Grid NTS provides DNO Users with Offtake Capacity Statements (i.e. flexibility capacity), Offtake Pressure Statements, and acceptance of increase in and notices of reduction of Enduring Annual NTS Exit (Flat) Capacity.

**Explanation for change**

The enduring nature of the Enduring Annual NTS Exit (Flat) Capacity product means that reductions in Gas Years Y+1, Y+2 or Y+3 affect the flat capacity entitlement for Gas Years Y+4, Y+5 and Y+6. If the DNO User requirements for changes in flexibility or pressure for Gas Years Y+4, Y+5 or Y+6 are rejected or not met in full then the DNO User may wish to reasonably adjust its flat capacity for these years – including revision of reductions in Gas Years Y+1, Y+2 or Y+3.

### 3 Solution

The proposed solution is to reasonably allow DNO Users to adjust Enduring Annual NTS Exit (Flat) notices of reduction for Gas Years Y+1, Y+2 and Y+3 in addition to those already permitted. The rejection rights of National Grid NTS will be the same as those for currently permitted adjustments. This solution should be achieved through amendment of Section B of the UNC Transportation Principal Document (TPD).

## 4 Relevant Objectives

Impact of the modification on the <b>Relevant Objectives:</b>	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
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.	None
c) Efficient discharge of the licensee's obligations.	Positive
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.	None
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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
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.	None

### c) Efficient discharge of the licensee's obligations

For NTS investment and operational planning decisions there would be more accurate information available from DNO Users because they would be able to express their requirements for Enduring Annual NTS Exit (Flat) capacity more accurately in the light of available flexibility and pressure. This may also help reduce the risk of some sterilised NTS Exit capacity.

For DN pipeline systems there may be some opportunity for more economic operation because Enduring Annual NTS Exit (Flat) Capacity requests could be adjusted more accurately in the light of partial fulfilment of flexibility and/or pressure requests for Gas Years Y+4, Y+5 or Y+6.

## 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	
This modification is not User Pays because no User Pays service is to be introduced nor amended, and there will be no change to central systems.	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
Not applicable – not User Pays	
Proposed charge(s) for application of Users Pays charges to Shippers	
Not applicable – not User Pays	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve	
Not applicable – not User Pays	

### 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>For National Grid NTS some minor changes may be necessary resulting from assessment of and subsequent operations arising from less restriction in Enduring Annual NTS Exit (Flat) Capacity allocation.</li> <li>DNO Users are likely to face minor changes to operational processes.</li> </ul>
User Pays implications	<ul style="list-style-type: none"> <li>None</li> </ul>

Impact on Users	
Area of Users' business	Potential impact



## 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	
Administrative and operational	<ul style="list-style-type: none"> <li>Views are welcomed from the industry</li> </ul>
Development, capital and operating costs	<ul style="list-style-type: none"> <li>None identified</li> </ul>
Contractual risks	<ul style="list-style-type: none"> <li>None identified</li> </ul>
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> <li>None identified</li> </ul>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> <li>National Grid NTS will have more accurately defined Enduring Annual NTS Exit (Flat) Capacity requirements for DNO Users, potentially enabling more efficient operation.</li> <li>No impact on DNO Users.</li> </ul>
Development, capital and operating costs	<ul style="list-style-type: none"> <li>National Grid NTS will be able to consider a wider range of adjusted Enduring Annual NTS Exit (Flat) capacity requests from DNO Users ahead of investment and operational planning decisions.</li> <li>Allows DNOs to optimise the operation of their network, which may lead to a reduction in operating costs.</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>Potentially mitigates a risk for DNO Users who otherwise might have to proceed with a level of capacity booked in line with the contract, which is out of line with their intended operation of the offtake.</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

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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 Transportation Principal Document B3.2.8 (a) (and associated text)	<ul style="list-style-type: none"> <li>• Changes as identified in section 3.</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>
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> <li>• None</li> </ul>
Network Code Validation Rules (TPD V12)	<ul style="list-style-type: none"> <li>• None</li> </ul>
ECQ Methodology (TPD V12)	<ul style="list-style-type: none"> <li>• None</li> </ul>
Measurement Error Notification Guidelines (TPD V12)	<ul style="list-style-type: none"> <li>• None</li> </ul>
Energy Balancing Credit Rules (TPD X2.1)	<ul style="list-style-type: none"> <li>• None</li> </ul>
Uniform Network Code Standards of Service (Various)	<ul style="list-style-type: none"> <li>• None</li> </ul>

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"> <li>• None</li> </ul>
Gas Transporter Licence	<ul style="list-style-type: none"> <li>• None</li> </ul>

Other Impacts	
Item impacted	Potential impact
Security of Supply	<ul style="list-style-type: none"> <li>• None</li> </ul>
Operation of the Total System	<ul style="list-style-type: none"> <li>• Better definition of DNO User requirements and rights for NTS Exit (Flat) Capacity may enable more efficient operation of the Total System.</li> </ul>
Industry fragmentation	<ul style="list-style-type: none"> <li>• None</li> </ul>
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none"> <li>• None</li> </ul>

## 6 Implementation

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

## 7 The Case for Change

Nothing in addition to that identified above.

## 8 Legal Text

### Text

*TPD Section B Paragraph 3.2.8 amended as follows:*

- 3.2.8 In respect of an application made under paragraph 3.2.3(a) and (as the case may be) a notice of reduction given by a DNO User under paragraph 3.2.15 to which paragraph (a) applies:
- (a) where National Grid NTS has rejected or accepted in part only an application made by a DNO User pursuant to paragraph 3.7.5 for NTS Exit (Flexibility) Capacity or Section J2.5 in relation to an increase in the Assured Offtake Pressure in respect of Gas Year Y+4, Y+5 or Y+6, a DNO User may ~~submit a revised application for Enduring Annual NTS Exit (Flat) Capacity~~ on any of the ten (10) Business Days following the provision of the indicative statement in accordance with paragraph 3.7.9(b) in Gas Year Y-:
- (i) submit a revised application for Enduring Annual NTS Exit (Flat) Capacity for Gas Year Y+4, Y+5 and Y+6; and/or
- (ii) submit a revised notice of reduction for Gas Years Y+1 to Y+6 (inclusive);
- (b) National Grid NTS will, not later than 30 September in Gas Year Y:
- (i) accept in full (if not rejected pursuant to paragraph 3.2.5) a User's application (including a DNO User's revised application made under paragraph (a)(i)) for Enduring Annual NTS Exit (Flat) Capacity in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement; and
- (ii) notify the User of which of its applications have been accepted, and in each case for what amount of Enduring Annual NTS Exit (Flat) Capacity;
- (iii) (if not rejected pursuant to paragraph 3.2.19) give effect to a DNO User's revised notice of reduction given under paragraph 3.2.8(a)(ii) in accordance with paragraph 3.2.20;
- (c) the User will be registered as holding Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point in the amount in respect of which its application was accepted under paragraph (b) provided that in the case of a DNO User such amount shall be adjusted by any revised notice of reduction which has been given effect to in accordance with paragraph (b)(iii));
- (d) National Grid NTS will, by not later than twenty-four (24) hours after the notification under paragraph (b)(ii), publish in respect of each NTS Exit Point for each of Gas Year Y+4, Y+5 and Y+6 the following information:
- (i) the number of Users who made an application for Enduring Annual NTS Exit (Flat) Capacity;
- (ii) the aggregate quantity of Enduring Annual NTS Exit (Flat) Capacity in respect of which applications were accepted by

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National Grid NTS; and

- (iii) the aggregate quantity of any Enduring Annual NTS Exit (Flat) Capacity in respect of which applications were accepted in excess of the Baseline NTS Exit (Flat) Capacity.

*TPD Section B Paragraph 3.2.15 amended as follows:*

3.2.15 Save in respect of a DNO User where the circumstances in paragraph 3.2.8(a) apply, a notice of reduction of Enduring Annual NTS Exit (Flat) Capacity may be given no earlier than 08:00 hours or later than 17:00 hours on a Business Day in the period 1 July to 15 July (inclusive) in any Gas Year (Y). A notice of reduction and (including any revised notice of reduction given by a DNO User under paragraph 3.2.8(a)(ii)) shall specify:

- (a) the identify of the User;
- (b) the NTS Exit Point;
- (c) subject to paragraph 3.2.16, the date, being the first day of a calendar month, on which the User wishes the reduction to be effective ("**User Reduction Date**");
- (d) the amount of Enduring Annual NTS Exit (Flat) Capacity (which, notwithstanding paragraph 3.1.4, may be less than the minimum eligible amount) which the User no longer wishes to be registered as holding ("**reduction amount**");
- (e) the remaining amount (which may not be less than zero) of Enduring Annual NTS Exit (Flat) Capacity which the User wishes to be registered as holding.

*TPD Section B Paragraph 3.2.18 amended as follows:*

3.2.18 Save in respect of a DNO User where the circumstances in paragraph 3.2.8(a) apply, a User may withdraw or modify a notice of reduction at any time between 08:00 hours and 17:00 hours on a Business Day during the period referred to in paragraph 3.2.15

*TPD Section B Paragraph 3.2.19 amended as follows:*

3.2.19 National Grid NTS may reject a notice of reduction where:

- (a) any of the requirements of paragraph 3.2.15 or 3.2.22 is not complied with;
- (b) by reference to System Capacity Transfers notified prior to the notice of reduction, the User's Enduring Annual NTS Exit (Flat) Capacity would, on the basis of the reduced amount specified in such notice, be negative at any time in the future;
- (c) the User Reduction Date is earlier than the end of the commitment period as determined in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement and National Grid NTS is unable to utilise the reduction amount to satisfy a further application for Enduring Annual NTS Exit (Flat) Capacity at any NTS Exit Point;
- (d) in the case of a revised reduction notice submitted by a DNO User

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pursuant to paragraph 3.2.8(a)(ii), the revision is, in the reasonable opinion of National Grid NTS, not consistent with National Grid NTS' rejection or acceptance in part only of an application made by the DNO User pursuant to paragraph 3.7.5 for NTS Exit (Flexibility) Capacity or Section J2.5.9 in relation to an increase in the Assured Offtake Pressure.

*TPD Section B Paragraph 3.2.24 amended as follows:*

3.2.24 National Grid NTS will, not later than twenty four (24) hours after giving effect to a notice of reduction in accordance with paragraphs 3.2.8(b)(iii), 3.2.20 and 3.2.23, publish the aggregate quantity of Enduring Annual NTS Exit (Flat) Capacity in respect of which it gave effect to a notice of reduction:

- (a) pursuant to paragraph 3.2.8(b)(iii);
- (b) pursuant to paragraph 3.2.20;
- (~~b~~c) pursuant to paragraph 3.2.23, for each relevant period.

## 9 Consultation Responses

Representations were received from the following parties:

Respondent	
Company/Organisation Name	Support Implementation or not?
National Grid Distribution	Support
National Grid NTS	Support
Scotia Gas Networks	Support

Of the three representations received implementation was unanimously supported.

### Summary Comments

There were no new issues raised within the representations. However National Grid Distribution and National Grid NTS suggested an effective implementation prior to 01 July 2012 in time for the next Annual Application Window for NTS Exit Capacity Applications and Notices of Reduction.

## 10 Panel Discussions

The Panel Chair summarised that the modification seeks to allow DNO Users to reasonably revise Enduring Annual NTS Exit (Flat) capacity reduction requests for Gas Years Y+1 to Y+6 rather than Y+4 to Y+6, as presently permitted.

Allowing DNO Users to more accurately express their requirements for exit capacity will provide more accurate information to National Grid NTS for use in system planning decisions. By facilitating economic and efficient investment in the network, and reducing the risk of some sterilised NTS Exit capacity, implementation would therefore facilitate achievement of National Grid NTS' licence obligations. Similarly, DN licence obligations with respect to economic and efficient system operation and development may be facilitated since exit capacity holdings and hence costs may be reduced.

Members then voted and unanimously determined that Modification 0413S should be implemented.



## 11 Recommendation

### Panel Recommendation

Having considered the 0413S Modification Report, the Panel determines:

- that proposed self-governance Modification 0413S should be made;