

0419:

Redefining the capacity of the Specified Exit Point used in the calculation of the NTS Optional Commodity tariff

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

This Modification seeks to re-define the capacity of the Specified Exit Point used in the calculation of the NTS Optional Commodity Tariff (aka "NTS Shorthaul").



The Proposer recommends that this modification should proceed to a Workgroup for development.



High Impact:
None



Medium Impact:
None



Low Impact:
Gas Shippers (particularly those who wish to elect Shorthaul after 1st October 2012), gas consumers and interconnector operators.

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 modification, which will be presented by the Proposer to the UNC Modification 0419 Workgroup.



3 **Any questions?**

5 Contact:

6 **Joint Office**

7  enquiries@gasgo.vernance.co.uk

9  **0121 623 2115**

12 Proposer:

12 **Richard Hounslea**

12  richard.hounslea@nationalgrid.com

13  **+44 (0) 1926 655 518**

Transporter:

National Grid Gas

 richard.hounslea@nationalgrid.com

 **+44 (0) 1926 655 518**

Xoserve:

 commercial.enquiries@xoserve.com


0419

Modification

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Version 2.0

Page 2 of 13

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1 Summary

Is this a Self-Governance Modification?

The Modification Panel did not determine that this modification should follow Self Governance Procedures.

Why Change?

An issue has been identified with respect to the calculation of the NTS Optional Commodity tariff (aka "NTS Shorthaul") after the introduction of Exit Reform on 1st October 2012.

Currently, prior to the Enduring Exit Period, Users may elect the NTS Optional Commodity tariff at NTS Exit Points and the tariff is calculated using the following equation...

$$1203 \times [(SOQ)^{-0.834}] \times D + 363 \times (SOQ)^{-0.654} \text{ (p/kWh)}$$

...where SOQ (Standard Off-take Quantity) is a capacity related element at the NTS Exit Point.

The capacity of the Specified Exit Point is referred to in UNC TDIIC 9.5.5(c) and determined, for Supply Meter Points & Shared Supply Meter Points, in accordance with UNC TPD G5.4.1 & G5.4.4 and is the shipper(s) nomination/booking as provided in the Supply Point Administration process. For NTS Connected System Exit Points (NTS CSEP's), the capacity is defined in UNC TDIIC 9.5.5(c)(iv) as the maximum aggregate amount of gas which is its feasible for National Grid NTS to make available for offtake at the Connected System Exit Point in a period of 24 hours.

With the introduction of NTS Exit Reform on 1st October 2012, the capacity of the Specified Exit Point is defined in UNC TPD Section B3.12.10(b) as the sum of the Baseline NTS Exit (Flat) Capacity and Baseline NTS Exit (Flexibility) Capacity. The UNC definition equates to the obligated level in the Enduring Exit Period as defined under National Grid's NTS Licence.

There are a number of sites that have obligated levels of zero in the Enduring Exit Period, however a value of zero cannot be used in the tariff equation as it would mathematically give a rate effectively equal to infinity and hence be undefined.

Solution

For NTS Exit Points, it is proposed that the capacity of the Specified Exit Point, defined in UNC TPD Section B3.12.10(b), be re-defined as the Maximum NTS Exit Point Offtake Rate ("MNEPOR") converted to kWh/day. For NTS Exit Points in respect of an interconnector which has no physical capability to offtake gas from the NTS, the capacity of the Specified Exit Point will be defined as an amount (where positive) determined as the instantaneous rate of flow into the NTS (in kWh/hour) which the Transporter determines to be the maximum instantaneous rate at which it is feasible to input gas into the NTS at the relevant System Entry Point, converted to kWh/day.

Impacts & Costs

The modification requires a change to NTS internal manual processes only and hence there are no system impacts and no associated costs have been identified for Users.

Implementation

No implementation timescale is proposed.

What is the MNEPOR?

UNC TPD Section B, 3.6.6 defines the MNEPOR as "an amount (where positive) determined as the instantaneous rate of offtake (in kWh/hour) which the Transporter determines to be the maximum instantaneous rate at which it is feasible to make gas available for offtake at the NTS Exit Point".

As the MNEPOR is an instantaneous rate of offtake (in kWh/hour) this would need to be converted into a kWh/day value for it to be used in the shorthaul equation.

0419

Modification

23 April 2012

Version 2.0

Page 3 of 13

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The Case for Change

The modification would result in a useable definition of the capacity of the Specified Exit Point in UNC TPD Section B3.12.10(b) which is necessary for the calculation of the NTS Optional Commodity tariff for all Users who wish to elect it.

Recommendations

The Proposer invites the Workgroup to:

- Recommend that Modification 0419 is sufficiently developed to proceed to consultation.

2 Why Change?

An issue has been identified with respect to the calculation of the NTS Optional Commodity tariff (aka "NTS Shorthaul") after the introduction of Exit Reform on 1st October 2012.

Currently, prior to the Enduring Exit Period, Users may elect the NTS Optional Commodity tariff at NTS Exit Points and the tariff is currently calculated using the following equation...

$$1203 \times [(SOQ)^{-0.834}] \times D + 363 \times (SOQ)^{-0.654} \text{ (p/kWh)}$$

...where SOQ (Standard Off-take Quantity) is a capacity related element at the NTS Exit Point.

The capacity of the Specified Exit Point is referred to in UNC TDIIC 9.5.5(c) and determined, for Supply Meter Points & Shared Supply Meter Points, in accordance with UNC TPD G5.4.1 & G5.4.4 and is the shipper(s) nomination/booking as provided in the Supply Point Administration process. For NTS Connected System Exit Points (NTS CSEP's), the capacity is defined in UNC TDIIC 9.5.5(c)(iv) as the maximum aggregate amount of gas which is its feasible for National Grid NTS to make available for offtake at the Connected System Exit Point in a period of 24 hours.

With the introduction of NTS Exit Reform on 1st October 2012, the capacity of the Specified Exit Point is defined in UNC TPD Section B3.12.10(b) as the sum of the Baseline NTS Exit (Flat) Capacity and Baseline NTS Exit (Flexibility) Capacity. The UNC definition equates to the obligated level in the Enduring Exit Period as defined under National Grid's NTS Licence.

There are a number of sites that have obligated levels of zero in the Enduring Exit Period, however a value of zero cannot be used in the tariff equation as it would mathematically give a rate effectively equal to infinity and hence be undefined.

3 Solution

For NTS Exit Points, it is proposed that the capacity of the Specified Exit Point, defined in UNC TPD Section B3.12.10(b), be re-defined as the Maximum NTS Exit Point Offtake Rate ("MNEPOR") converted to kWh/day. For NTS Exit Points in respect of an interconnector which has no physical capability to offtake gas from the NTS, the capacity of the Specified Exit Point will be defined as an amount (where positive) determined as the instantaneous rate of flow into the NTS (in kWh/hour) which the Transporter determines to be the maximum instantaneous rate at which it is feasible to input gas into the NTS at the relevant System Entry Point, converted to kWh/day.

0419

Modification

23 April 2012

Version 2.0

Page 6 of 13

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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.	Positive
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.	Positive
c) Efficient discharge of the licensee's obligations.	None
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.	Positive
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

Better facilitates Relevant Objective (a) Efficient and economic operation of the pipe-line system

Implementation of this modification would enable those Users currently electing the NTS Optional Commodity tariff to continue to do so where the NTS Optional Commodity tariff would otherwise be undefined after the introduction of NTS Exit Reform. Implementation of the modification would also enable those Users not currently electing the NTS Optional Commodity tariff to elect to do so where the NTS Optional Commodity tariff would otherwise be undefined after the introduction of Exit Reform.

As the purpose of the NTS Optional Commodity tariff is to dis-incentivise the by-pass of the NTS, which would be inefficient for the industry as a whole and, hence, not in the interest of end consumers, it would appear logical that Users are not prohibited from electing to utilise the NTS Optional Commodity tariff solely as a result of the tariff being undefined. To that extent, implementation of this modification would better facilitate Relevant Object (a) Efficient and economic operation of the pipe-line system.

0419

Modification

23 April 2012

Version 2.0

Page 7 of 13

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Better facilitates Relevant Objective (b) Co-ordinated, 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.

Implementation of this modification would enable the prevailing arrangements at interconnector sites with only virtual exit flow capability, and at which Users are currently able to elect the NTS Optional Commodity tariff, to continue after NTS Exit Reform. Were the NTS Optional Commodity tariff to become unavailable at such sites it may create a perverse incentive for investment in order to permit physical exit flows so as to enable an MNEPOR to be established, thereby enabling Users to elect the NTS Optional Commodity tariff. To that extent, implementation of this modification would better facilitate Relevant Objective (b) Co-ordinated, 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.

Better facilitates Relevant Objective (d) Securing of effective competition (i) between relevant shippers, and/or (ii) between relevant suppliers, and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

Implementation of this modification would enable those Users currently electing the NTS Optional Commodity tariff to continue to do so where the NTS Optional Commodity tariff would otherwise be undefined after the introduction of NTS Exit Reform. Implementation of the modification would also enable those Users not currently electing the NTS Optional Commodity tariff to elect to do so where the NTS Optional Commodity tariff would otherwise be undefined after the introduction of NTS Exit Reform.

The use of MNEPOR as the capacity of the Specified Exit Point would provide a visible & transparent number with which to calculate the NTS Optional Commodity tariff. To that extent, implementation of this modification would better facilitate Relevant Object (d) Securing of effective competition (i) between relevant shippers, and/or (ii) between relevant suppliers, and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

5 Impacts and Costs

Consideration of Wider Industry Impacts

No wider industry impacts have been identified.

Costs

Indicative industry costs – User Pays
Classification of the modification as User Pays or not and justification for classification
No industry implementation costs have been identified
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"> Changes to internal manual price setting processes only
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"> None
Development, capital and operating costs	<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

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	• Positive
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	
Code section	Potential impact
UNC TPD Section B	• For NTS Optional Commodity tariff setting from 1 st October 2012, the definition of the capacity of the Specified Exit Point will be redefined.

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

0419

Modification

23 April 2012

Version 2.0

Page 10 of 13

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Impact on UNC Related Documents and Other Referenced Documents	
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"> • None
Operation of the Total System	<ul style="list-style-type: none"> • None
Industry fragmentation	<ul style="list-style-type: none"> • None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none"> • Positive

6 Implementation

No implementation timescale is proposed.

7 The Case for Change

Nothing in addition to that identified above.

8 Legal Text

In response to a request from Ofgem, National Grid NTS has provided the following legal text.

Amend UNC TPD Section B, Paragraph 3.12.10 as follows:

3.12.10 For the purposes of paragraphs 3.12.9 to 3.12.14 (inclusive), the capacity of the Specified Exit Point shall be the Supply Point Capacity, provided:

- (a) in the case of an LDZ Supply Point the capacity shall be determined in accordance with Section G5.4.1, except:
 - (i) for an LDZ Firm Supply Point the capacity shall be the sum of the DM Supply Point Capacity and the NDM Supply Point Capacity that the User is registered as holding from time to time in accordance with paragraphs 4.2 and 4.3 respectively;
 - (ii) for a LDZ Shared Supply Point the capacity shall be determined in accordance with Section G1.7.14;
 - (iii) for an LDZ CSEP the capacity shall be determined in accordance with paragraph 4.5.2;
- (b) in the case of an NTS Exit Point the capacity shall be equal to 24 times the Maximum NTS Exit Point Offtake Rate, except: sum of the Baseline NTS Exit (Flat) Capacity and the NTS Exit (Flexibility) Capacity
 - (i) for an NTS Exit Point in respect of a pipeline interconnector having no physical exit capability which is both a Connected Offtake System and a Connected Delivery Facility, the capacity shall be equal to 24 times the amount (where positive) determined as the instantaneous rate (in kWh/Hour) which the Transporter determines to be the maximum instantaneous rate at which it is feasible to deliver gas to the NTS at the System Entry Point associated with such Connected Delivery Facility.

0419

Modification

23 April 2012

Version 2.0

Page 12 of 13

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9 Recommendation

The Proposer invites the Panel to:

- DETERMINE that the Modification 0419 progresses to Consultation.