

Representation

Draft Modification Report

0419: Redefining the capacity of the Specified Exit Point used in the calculation of the NTS Optional Commodity tariffs

Consultation close out date: 11 June 2012
Respond to: enquiries@gasgovernance.co.uk
Organisation: **National Grid NTS**
Representative: Richard Hounslea
Date of Representation: 11 June 2012

Do you support or oppose implementation?

Support

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

The modification would result in a definition of the capacity of the Specified Exit Point in TPD Section B3.12.10(b) which would enable the calculation of the NTS Optional Commodity Rate at all NTS Exit Points, including those at which the calculation is not possible under the prevailing methodology, from 1st October 2012.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

We do not believe there are any new or additional issues to record within the Modification Report.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Efficient discharge of the licensee's obligations

Implementation of this modification would remove the possibility of the NTS Optional Commodity tariff being undefined as a result of zero being used as the divisor in the NTS Optional Commodity tariff equation. Ensuring that the charging methodology is workable and generates defined charges ensures efficient discharge of the licensee's obligations to maintain an appropriate charging methodology.

Securing effective competition

National Grid believes the use of the Maximum NTS Exit Point Offtake Rate (MNEPOR) as the capacity of the Specified Exit Point will provide an appropriate, visible and transparent number with which to calculate the NTS Optional Commodity tariff, and enable Users to elect the NTS Optional Commodity tariff in respect of sites where it would otherwise be undefined after the introduction of NTS exit reform. Ensuring that the option is available to all Users, hence avoiding undue discrimination, provides the same opportunity to Users to adopt the tariff. Implementation of this modification would therefore support the securing of effective competition between relevant shippers.

Promotion of efficiency in the implementation and administration of the Code

Implementation of this modification would remove the possibility of the NTS Optional Commodity tariff being undefined as a result of zero being used as the divisor in the NTS Optional Commodity tariff equation. Introducing a practical solution promotes efficiency in the implementation and administration of the Code.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

National Grid NTS has identified that no further analysis, development or ongoing costs incurred as a result of implementing this modification, with only minor changes to NTS manual processes being necessary. This is not a User Pays modification.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

Implementation by 1st October 2012 would ensure that the optional tariff will be equally available at all NTS Exit Points including those where the existing calculation would not otherwise allow this.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

National Grid NTS is satisfied that the legal text will deliver the intent of the modification.

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

In addition to the impacts recorded elsewhere in this report, implementation of this modification would enable Users to elect to utilise the NTS Optional Commodity Rate in circumstances where the tariff would otherwise be undefined under the prevailing methodology after the introduction of NTS Exit Reform. A key objective of the NTS Optional Commodity rate is to promote efficient utilisation of the NTS, hence avoiding inefficient by-pass of the NTS, with the tariff being set at a level that is intended to generate efficient signals regarding whether or not by-pass is economically justified. Avoiding inefficient bypass avoids resources being used inefficiently and, as such, implementation offers the potential to have a positive benefit for the GB economy as a whole.