

## Stage 04: Final Modification Report

# 0438S:

## Update of UNC TPD Section Y to reflect Exit Reform arrangements

This UNC Modification seeks to update and tidy-up the NTS Transportation Charging Methodology contained in UNC TPD Section Y. The arrangements for Exit Reform are contained in Appendix C of the methodology and it was the intention that the relevant paragraphs of Appendix C would be incorporated into the main body of the methodology.



The Panel determined that Modification 0438S be implemented



High Impact: -

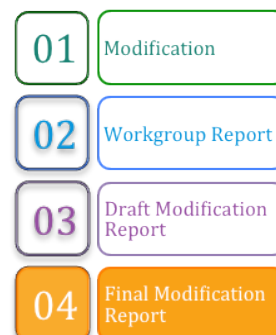


Medium Impact: -



Low Impact: Gas Shippers, Distribution Network Operators, gas consumers and interconnector operators.

At what stage is this document in the process?



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## About this document:

This Final Modification Report will be presented to the Panel on 21 February 2013.

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


<b>Any questions?</b>
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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?

This UNC modification seeks to update and tidy-up the National Grid Transmission Transportation Charging Methodology contained in UNC TPD Section Y. The arrangements for NTS Exit Reform are contained in Appendix C of the methodology and it was the intention that the relevant paragraphs of Appendix C would be incorporated into the main body of the methodology. Previously, when the methodology sat outside of the UNC document, National Grid NTS undertook these updates as part of its annual review. Now that the methodology is part of the UNC, any updates must follow the UNC Code Governance processes. National Grid NTS also seeks to take this opportunity to make further updates to reflect NTS Exit Reform charging arrangements and correct a number of minor typographical errors, which have been identified.

## Solution

Update UNC TPD Section Y.

## Relevant Objectives

This modification seeks to update UNC TPD Section Y so that it properly reflects National Grid Transmission's charging arrangements from 1st October 2012. To that extent, implementation of this modification would better facilitate relevant objective b) that, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business.

## Implementation

As Self-Governance procedures are proposed, implementation could be sixteen (16) business days after a Panel decision to implement (subject to no Appeal being raised).

## 2 Why Change?

This UNC modification seeks to update and tidy-up the National Grid Transmission Transportation Charging Methodology contained in UNC TPD Section Y. The arrangements for NTS Exit Reform are contained in Appendix C of the methodology and it was the intention that the relevant paragraphs of Appendix C would be incorporated into the main body of the methodology. Previously, when the methodology sat outside of the UNC document, National Grid NTS undertook these updates as part of its annual review. Now that the methodology is part of the UNC, any updates must follow the UNC Code Governance processes. National Grid NTS also seeks to take this opportunity to make further updates to reflect NTS Exit Reform charging arrangements and correct a number of minor typographical errors, which have been identified.

## 3 Solution

It is proposed that a number of changes are made to UNC TPD Section Y. The proposed updates can be seen in the mark-up draft of UNC TPD Section Y, which is a part of this Modification but provided separately from this document (due to the size of the electronic file). The proposed updates to UNC TPD Section Y are summarised from 1-10 below, and are intended to be consistent with the corresponding paragraphs already specified in Appendix C.

### Part A – NTS Charging Methodologies

1. Chapter 2, 2.1 "System Exit Firm Capacity"
  - Paragraph amended to reflect introduction of new "flat" capacity products.
  - Update of UNC reference to the terms on which "flat" capacity products are sold with the inclusion of reference to "Transportation Principle Document".
  - Sentence which states exit charges only applied to firm loads removed as no longer correct.
  - Reference to Appendix C removed.
2. Chapter 2, 2.2 "System Exit Interruptible Capacity"
  - Heading amended.
  - Paragraph amended to reflect introduction of the "Off-peak" capacity product.
  - Update of UNC reference to the terms on which "Off-peak" capacity is sold and its pricing, with the inclusion of reference to "Transportation Principle Document".
  - Reference to Appendix A removed.
3. Chapter 2, 2.5.1 "The Transport Model"
  - Paragraph amended to reflect Appendix C 2.5.1.
  - Footnote reference updated.
4. Chapter 2, 2.5.2 "The Expansion Constant"
  - Paragraph 1 amended to provide further detail on the calculation of the Expansion Constant and how it is to be applied for actual and indicative exit capacity price calculations.
  - Table "Expansion Constant Used for Price Setting" deleted, and reference to Statement of Gas Transportation Charges for expansion constants used for each gas year inserted. This will allow National Grid to update the information without the requirement for an annual UNC Modification or a "Consent to Modify" to be raised.
5. Chapter 2, 2.5.3 "The Tariff Model for Determination of NTS Exit Capacity Charges"
  - Heading amended.
  - Paragraph referring to recovery of revenues when charges are applied to firm and interruptible capacity levels no longer correct and amended to reflect recovery of revenues from baseline exit capacity levels.
  - Supply/Demand Scenario and Network Model years updated.
  - Revenue Recovery Adjustment heading amended.
  - Paragraphs relating to recovery of revenue determined by Licence, under/over-recovery amended.

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- Reference to interruptible "revenue foregone" no longer applicable and removed.
  - Revenue from Incremental Exit Capacity charges amended.
  - Updates to charge setting using Transportation Model, and addition of arrangements for revenue shortfall.
  - Correction of "n<sub>p</sub>" (number of exit points) to "n<sub>D</sub>" (number of demand charging points) and correction of definition.
  - "Zonal Exit Capacity Charges" section deleted.
6. Chapter 3, 3.4 "NTS SO Commodity Charge"
    - Heading amended.
    - Sentence referencing Appendix C for setting of SO & TO exit commodity charges deleted.
  7. Chapter 3, 3.5 "NTS Optional Commodity Charge "Shorthaul"", amended to reflect shorthaul as an alternative to both entry and exit NTS SO & TO commodity charges.
  8. Chapter 3, 3.7 "NTS TO Exit Commodity Charge", moved from Appendix C.
  9. Chapter 3, 3.8 "NTS Exit Commodity Charging at Storage", moved from Appendix C, Chapter 3, 3.9 "NTS Exit Commodity Charging at Storage" and re-numbered.
  10. Appendix A, "Business Rules for Interruptible Supply Points", removed.

In addition to the updates detailed in 1 to 10, above, National Grid Transmission proposes to take this opportunity to make the following further updates;

#### Part A – NTS Charging Methodologies

11. Chapter 1, 1.2 "Structure of NTS Transportation Charges"
  - Paragraph amended to reflect introduction of TO commodity charge on exit.
  - Reference to Appendix B amended to Appendix A.
  - Reference to "administered peak day basis" no longer correct and amended to "administered basis".
  - Recovery of revenues when charges are applied to firm and interruptible capacity levels no longer correct and amended to reflect recovery of revenues from baseline capacity levels.
  - Reference to interruptible "revenue foregone" no longer applicable and removed.
  - Paragraph added to reflect introduction of TO commodity charge on exit when revenue from exit capacity bookings is forecast to be under recovered.
12. Figure 1 "NTS charges to collect TO and SO revenue"
  - Diagram amended to reflect dis-continuation of Firm Capacity and Interruptible Exit Capacity – Revenue Forgone arrangements.
13. Chapter 3, 3.1 "NTS TO Entry Commodity Charge", deletion of reference to Appendix C for the setting of TO exit commodity charges from 1<sup>st</sup> October 2012.
14. Appendix B – "Treatment of Under/Over Recovery 'K'" renamed as Appendix A.
15. Appendix C – "Exit (Flat) Capacity & Commodity Price Setting from 1st October 2012"
  - Deletion of all content up to "Timeline for Indicative & Actual Prices".

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- Appendix renamed Appendix B.
- 16. Appendix D – “Classification of Supply Points”, renamed as Appendix C.
- 17. Amended Gas Governance web address.

## Costs

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification.
No industry implementation costs have been identified.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.
n/a
Proposed charge(s) for application of User Pays charges to Shippers.
n/a
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.
n/a

## 4 Relevant Objectives

Impact of the modification on the <b>Relevant Methodology Objectives:</b>	
Relevant Objective	Identified impact
a) save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	None
aa) that, in so far as prices in respect of transportation arrangements are established by auction, either: <ul style="list-style-type: none"> <li>(i) no reserve price is applied, or</li> <li>(ii) that reserve price is set at a level -               <ul style="list-style-type: none"> <li>(I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and</li> <li>(II) best calculated to promote competition between gas suppliers and between gas shippers;</li> </ul> </li> </ul>	None
b) that, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	Positive
c) that, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	None
d) that the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	None
e) 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

### b) Taking into account of developments in the transportation business.

This modification seeks to update UNC TPD Section Y so that it properly reflects National Grid Transmission's charging arrangements from 1st October 2012, when Exit Reform was implemented. To that extent, implementation of this modification would better facilitate relevant objective b) in that it ensures the charging methodology properly takes account of developments in the transportation business.

### Licence Compliance

The modification does not conflict with paragraphs 2, 2A and 3 of Standard Special Condition A4 of the Transporter's Licence as the modification is consistent with setting NTS Exit (Flat) Capacity charges from 1 October 2012 and from the 1 October in each subsequent year. The modification does not conflict with paragraphs 8, 9, 10 and 11 of Standard Condition 4B of the Transporter's Licence.

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## 5 Implementation

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

## 6 Legal Text

### Text

Due to the number of updates contained in this modification, Text has been provided in a marked-up draft of UNC TPD Section Y and published separately alongside this document. No issues were raised by the Workgroup regarding its content.

## 7 Consultation Responses

Representations were received from the following parties:

Company/Organisation Name	Support Implementation or not?
National Grid NTS	Support
RWE npower & RWE Supply & Trading	Support

Of the two representations received implementation was unanimously supported.

### Summary Comments

Neither party identified any new issues that they would like recording.

## 8 Panel Discussions

The Panel Chair summarised that this is a housekeeping modification that seeks to update the NTS Transportation Charging methodology and bring the, now current, requirements set out within an appendix into the main body of the UNC, and also to update some otherwise incorrect references.

Members recognised that this modification seeks to update UNC TPD Section Y so that it properly reflects National Grid Transmission's charging arrangements from 1st October 2012, when Exit Reform was implemented. To that extent, implementation of this modification would better facilitate relevant objective b) in that it ensures the charging methodology properly takes account of developments in the transportation business.

Members then unanimously determined to implement Modification 0438S.

## 9 Recommendation

### Panel Recommendation

Having considered the Modification Report, the Panel determined:

- that proposed self-governance Modification 0438S should be made.