

## Representation

### Draft Modification Report

#### 0439: Notice for Enduring Annual Exit (Flat) Capacity Reduction Applications

**Consultation close out date:** 15 April 2013  
**Respond to:** enquiries@gasgovernance.co.uk  
**Organisation:** Gaslink Independent System Operator Limited  
**Representative:** Celine Hayes  
**Date of Representation:** 10<sup>th</sup> April 2013

#### Do you support or oppose implementation?

Support/Qualified Support/Neutral/Not in Support/Comments\* *delete as appropriate*

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

We support implementation of the modification because it would align the user commitment principles associated with incremental enduring capacity across all users and exit points, ensuring equal treatment irrespective of movements in indicative and actual prices, and irrespective of when capacity increments take effect. This equality of treatment would further the competition objective and be consistent with the Article 16(2) of Regulation 715/2009 which requires capacity-allocation mechanisms to be non-discriminatory. Unwanted capacity would also be made available for use by others thereby promoting the efficient and economic operation of the pipeline system. In addition, it would improve the capacity planning process as National Grid NTS will receive more robust signals of future exit capacity requirements where users make incremental capacity commitments in the certain knowledge that the associated financial commitment is capped at a transparent level, and that the exposure to uncertain and potentially volatile movement in indicative and actual prices is removed.

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

None

#### Relevant Objectives:

*How would implementation of this modification impact the relevant objectives?*

#### Achievement of relevant objective (a) "Efficient and economic operation of the pipe-line system"

Enabling users to reduce enduring capacity holdings that are no longer required (and for which the original user commitment

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amount has been satisfied) would allow National Grid NTS to make that capacity available for use by others, thereby promoting the efficient and economic operation of the pipeline system.

### **Achievement of relevant objective (c) "Efficient discharge of the licensee's obligations"**

The modification would improve capacity planning processes and thereby promote the efficient discharge of licence obligations relating to economic and efficient system development. National Grid NTS will receive more robust signals of future exit capacity requirements where users make incremental capacity commitments in the certain knowledge that the associated financial commitment is capped at a transparent level, and that the exposure to uncertain and potentially volatile movement in indicative and actual prices is removed.

### **Achievement of relevant objective (d) "Securing of effective competition"**

The modification would align the user commitment principles associated with incremental enduring capacity across all users and exit points, thereby furthering the objective of securing effective competition.

Following implementation of Mod 417S, the existing arrangements offer some limited flexibility in certain cases for users to reduce holdings within the 14 month notice period if the user commitment expires. However, holdings for which there was no original user commitment, or for which the user commitment has expired (or will expire after the first anniversary of an increase) are precluded from making such reductions. The modification addresses these issues, treating all enduring capacity holdings (and their holders) equally in terms of reduction flexibility and user commitment.

### **Achievement of relevant objective (g) "Compliance with the Regulation and any relevant legally binding decisions of the European Commission etc."**

The modification would facilitate compliance with Article 16(2) of Regulation (EC) No 715/2009 which, inter alia, requires the transmission system operator to implement non-discriminatory and transparent capacity-allocation mechanisms providing appropriate economic signals for the efficient and maximum use of technical capacity. The modification is non-discriminatory in that it treats all enduring capacity holdings (and their holders) equally in terms of reduction flexibility and user commitment. This in turn improves the economic signals for efficient and maximum capacity usage.

### **Impacts and Costs:**

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

None

### **Implementation:**

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

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The modification should be implemented with the minimum lead-time, so that it is effective during the forthcoming July 2013 Application Window in respect of applications for reductions in enduring capacity. Furthermore, those making applications for increases in capacity would do so in light of the additional flexibility provided through the modification to make reductions in the future.

**Legal Text:**

*Are you satisfied that the legal text [and the proposed ACS (see [www.gasgovernance.co.uk/proposedACS](http://www.gasgovernance.co.uk/proposedACS))] will deliver the intent of the modification?*

Yes, we are satisfied that the legal text, in conjunction with the changes to the NTS Exit Capacity Release Methodology Statement proposed by National Grid in V8.4, 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.*

No additional comments