

Stage 04: Final Modification Report

0449:

Introduction of Interconnection Points and new processes and transparency requirements to facilitate compliance with the EU Congestion Management Procedures

This proposal seeks to facilitate compliance with Annex I to Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks with regards to the Congestion Management Procedures.



Panel recommended that Modification 0449 be implemented



High Impact: -



Medium Impact: -



Low Impact: -

At what stage is this document in the process?



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About this document:

The Panel has been requested to consider this Final Modification Report at short notice on 15 August 2013.

The Authority will consider the Panel's recommendation and decide whether or not this change should be made.


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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification.

Why Change?

Congestion in gas pipelines has been identified as an obstacle to a well-functioning, open and integrated gas market across the European Union. On 24 August 2012 the European Commission adopted rules to reduce congestion in European gas transmission pipelines. These rules amend the existing Annex I to the Gas Regulation (EC) no. 715/2009 and require a number of Congestion Management Procedures to be implemented by 01 October 2013. The GB arrangements set out in the UNC need to be modified to deliver this.

Solution

This modification will introduce a new classification of System Entry Point and NTS Exit Point within the UNC. It will also put in place an oversubscription process for the AMSEC Auction, new transparency obligations and new NTS Entry and Exit Capacity surrender processes for the following entry and exit capacity products:

- NTS Entry Capacity
 - Quarterly System Entry Capacity
 - Monthly System Entry Capacity (excluding the RMSEC Auction)
- NTS Exit Capacity
 - Enduring Annual NTS Exit (Flat) Capacity
 - Annual NTS Exit (Flat) Capacity

As the CMP regulations are closely linked to the proposed Capacity Allocation Mechanism (CAM) Regulation any solution will need to be reviewed as part of CAM, the CMP oversubscription and surrender solution detailed within this Modification Proposal will be facilitated via a combination of operational processes and existing Gemini system functionality.

Relevant Objectives

Implementation of this modification would directly facilitate the relevant objective “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”.

Implementation

No implementation timescales are proposed. The EU has specified that its measures to address congestion should be implemented by 1 October 2013.

Introduction of new processes will be necessary to facilitate implementation of this modification and will be based on the use of existing system functionality, with no material impact on costs anticipated.

2 Why Change?

On 24 August 2012 the European Commission adopted rules to reduce congestion in European gas transmission pipelines as Congestion in gas pipelines, has long been viewed as an obstacle to a well-functioning, open and integrated gas market across the European Union. The rules amend the existing Annex I to the Gas Regulation (EC) no. 715/2009 and require a number of the Congestion Management Procedures to be implemented by 01 October 2013.

The Congestion Management Procedures are to be applied only at “Interconnection Points” which is a classification of System Point that is not currently defined within the Uniform Network Code, and will cover a number of requirements:

- Long Term use it or lose it
- Firm Day Ahead use it or lose it
- Oversubscription and Buyback
- Surrender
- Transparency

However of the above, only the Oversubscription and Buyback, Surrender processes and Transparency obligations are required for 1 October 2013. Whilst oversubscription and buyback are currently catered for within the UNC, the AMSEC Auction will require an oversubscription process to be put in place. A number of new surrender processes and Transparency obligations will be required in order to enact the regulation.

The oversubscription and surrender processes introduced by this modification will need to be reviewed as part of the implementation of the Capacity Allocation Mechanism (CAM) Regulation, potentially requiring the development of a CMP solution that can be applied to the CAM processes when implemented. The definition of Interconnection Points, Transparency obligations, oversubscription and surrender processes will need to be reviewed as part of the CAM implementation process.

3 Solution

It is proposed that a number of new processes and defined terms be introduced into the UNC:

New Defined Terms

- “Annual Release Process” means the release of:
 - NTS Entry Capacity following an annual capacity invitation
 - NTS Exit (Flat) Capacity following an annual capacity notification
- “Surrender Invitation” means an invitation made in advance of an annual release process informing Users that they may make surrender offers
- “Surrender Offer” means an offer to surrender System Capacity
- “Surrender Window” means the period of five Business Days specified in a in a surrender invitation during which Users may submit surrender offers
- “Surrendered Capacity” is in relation to a relevant quarter, month or year, the aggregate amount of System Capacity in respect of which Users have submitted surrender offers in response to a surrender invitation
- “Interconnection Point” (IP) is:
 - An Aggregate System Entry Point at which gas is delivered to the Total System through an interconnector(s) connecting the Total System to the national gas transmission system of another EU member state(s); or
 - An NTS Exit Point at which gas is offtaken from the Total System through an interconnector(s) connecting the Total System to the national gas transmission system of another EU member state(s); or
 - Any such point as is designated by the Authority

Capacity Oversubscription and Surrender Processes

National Grid NTS shall only accept the surrender of a Users Available or Registered System Capacity at an Interconnection Point, where:

- The quantity offered for surrender is for a minimum of 1 calendar month but shall reflect the allocation process for which the capacity has been offered for surrender
- the Unsold NTS Entry Capacity made available for the period in the relevant Annual Release Process, for which the Surrender Offer applies, is exceeded by the aggregate Capacity Bids received in the relevant Annual Release Process (i.e. it is oversubscribed)
- the Remaining Available NTS Exit (Flat) Capacity for the period in the relevant Annual Release Process, for which the Surrender Offer applies, exceeded by the aggregate applications received in the relevant Annual Release Process (i.e. it is oversubscribed)

Available System Capacity is the System Capacity which a User holds at an IP after taking into account any System Capacity Transfer under UNC TPD B5.

For the avoidance of doubt where an IP is an ASEP, System Capacity will be NTS Entry Capacity and where an IP is an NTS Exit Point, System Capacity will be NTS Exit (Flat) Capacity, unless otherwise specified.

NTS Entry Capacity Surrender and Oversubscription Processes

QSEC Auction Surrender Process

- No less than fifteen Business Days prior to a notification of the Annual Invitation for Quarterly NTS Entry Capacity in a Capacity Year, National Grid NTS will invite Users to surrender Available System Capacity at an IP (the Surrender Invitation), for allocation to Users requesting capacity in the QSEC auction being held within that Capacity Year.
- A surrendering User shall remain liable for all charges and liabilities associated with the Surrendered Capacity irrespective of whether it is subsequently allocated.
- Until Surrendered Capacity is allocated the surrendering Users Available System Capacity shall remain unchanged.
- The Surrender Invitation(s) will state:
 - The IP(s)
 - The duration of the Surrender Window, which shall be five consecutive Business Days and shall open no less than five Business Days after the Surrender Invitation is issued
 - The details of how Users can provide their Surrender Offer(s) at an IP
 - The Minimum Eligible Amount which will be 100,000 kWh/day.
 - That a User cannot offer to surrender a quantity greater than their Available Firm NTS Entry Capacity i.e. net of NTS Entry Capacity trades at that IP for the Quarter(s) that they are offering to surrender capacity for.
- Users wishing to take part in the QSEC auction Surrender process must, between 0800 and 1700 on the dates specified in the Surrender Invitation, provide the following information, for each Surrender Offer, to National Grid NTS:
 - The IP
 - User ID
 - The amount that they are offering to surrender. This must be equal to or greater than the Minimum Eligible Amount of 100,000kWh/day
 - The minimum amount that they are offering to surrender. This must be equal to or greater than the Minimum Eligible Amount of 100,000kWh/day and less than or equal to the amount that is being offered for surrender
 - The calendar quarter(s) for which the Surrender Offer applies (these do not have to be consecutive quarters).
- National Grid NTS will not accept a Surrender Offer for a calendar quarter(s) that is not oversubscribed
- By submitting a Surrender Offer the surrendering User agrees to surrender Available System Capacity up to the amount offered and is confirming that they have sufficient Available System Capacity to fulfill the Surrender Offer.
- When the User does not have sufficient Available System Capacity to fulfill the Surrender Offer National Grid NTS may not accept the Surrender Offer.
- Users may submit more than one Surrender Offer but may not submit more than one Surrender Offer per calendar quarter per IP. A submitted offer may

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cover multiple calendar quarters and must fall within the calendar quarters that can be allocated within the relevant QSEC auction

- Users can amend or withdraw their Surrender Offers at any time between 08:00 and 17:00 hours on each Day of the Surrender Window until 17:00 hours on the last Day of the Surrender Window
- After the Surrender Window closes Users will be informed by the first QSEC invitation letter issued after the Surrender Window of the Available System Capacity that has been offered for surrender and the quarter(s) in which it has been offered.
- When National Grid NTS has received Capacity Bids that in aggregate exceed the quantity of Unsold NTS Entry Capacity that has been made available in the QSEC auction, surrendered Available System Capacity will be allocated as Additional Quarterly NTS Entry Capacity before both any other such Additional Quarterly NTS Entry Capacity that National Grid NTS in its own discretion may make available to Users and Incremental NTS Entry Capacity (which for the avoidance of doubt includes substitution).
- The surrendered Available System Capacity is allocated to Users as Additional Quarterly NTS Entry Capacity and such allocated capacity will feed into the entry capacity neutrality arrangements as a Relevant Capacity Revenue.
- A User(s) will pay in respect of each Day, when due, NTS Entry Capacity Charges for any Additional Quarterly NTS Entry Capacity allocated i.e. the quantity multiplied by the Applicable Daily Rate. For the avoidance of doubt this will be either the applicable Reserve Price or Cleared Price.
- Surrendered Available System Capacity allocated through this process shall be;
 - utilised in respect of overrun calculations i.e. a User's Available NTS Entry Capacity will reflect either the Quarterly NTS Entry Capacity bought or Available System Capacity surrendered, as applicable, and the allocated price will be considered in the calculation of the System Entry Overrun Charge.
 - subject to the provisions of UNC Section V3, as for all other allocation processes, if a User fails to meet these provisions then their Capacity Bids will be rejected.
- Each Surrender Offer submitted, will on receipt by National Grid NTS, be time stamped
- A time stamp will be specific to a Surrender Offer when it is submitted, if a Surrender Offer is withdrawn and resubmitted or amended it will receive a new time stamp
- When more than one User has surrendered Available System Capacity, the Unsold NTS Entry Capacity can be allocated and the aggregate quantity of surrendered Available System Capacity exceeds the remaining Bid quantities, the Surrender Offers will be accepted (subject to the surrendering Users specified minimum amount) in order of time stamp i.e. Surrender Offers will be taken based on the time and date that they were received by National Grid NTS with the earliest received taken first.

If for any reason two or more Surrender Offers have the same time stamp and more than one User has surrendered Available System Capacity, the Unsold NTS Entry Capacity made available has been allocated and the aggregate quantity of surrendered Available System Capacity exceeds the remaining unsatisfied bid quantities, the Surrender Offers will be prorated. Where a Surrender Offers resulting prorated quantity is less than the minimum amount specified by the User then the Surrender Offer will be rejected and the proration recalculated for the remaining Surrender Offers.

- When Surrendered Available System Capacity is allocated National Grid NTS will undertake the surrender on the Users behalf

- National Grid NTS will undertake the surrender through a Forward Agreement(s). This will not require the User(s) to undertake any actions on National Grid NTS' systems or for National Grid NTS to issue a Forward Agreement Tender Invitation Notice.
- National Grid NTS will use a Forward Agreement(s) to adjust the surrendering Users Available System Capacity to reflect the Users quantity of surrendered Available System Capacity allocated as Additional Quarterly NTS Entry Capacity in the QSEC auction for the relevant quarter(s).
- National Grid NTS will update its computer system(s) with the details of the Forward Agreement(s) within Five Business Days of the allocation of the Additional Quarterly NTS Entry Capacity
- Each Forward Agreement will detail:
 - IP
 - User ID
 - The duration, this may be for a quarter or number of quarters (non consecutive quarters may be reflected through the use of multiple Forward Agreements)
 - The Maximum Forward Quantity (kWh/day) – The Users Available System Capacity that has been surrendered (and subsequently allocated as Additional Quarterly NTS Entry Capacity)
 - Capacity Management Charge – the amount payable to the User for the surrendered Available System Capacity which in this instance will be the relevant Cleared Price or Reserve Price of the relevant quarter(s) in the QSEC auction
- Once National Grid NTS has updated its computer system(s) it will provide a surrendering User at the IP details of their accepted Surrender Offers i.e.
 - The duration
 - IP
 - The Maximum Forward Quantity (kWh/day) – The Available System Capacity that has been surrendered (and subsequently allocated as Additional Quarterly NTS Entry Capacity)
 - Capacity Management Charge
- Additional Quarterly NTS Entry Capacity that is allocated shall be included in the allocated User's aggregate Available NTS Entry Capacity (determined as fully adjusted) to determine the Users Overrun Quantity and be considered when calculating the System Entry Overrun Charge.
- A Users Available System Capacity that is allocated as Additional Quarterly NTS Entry Capacity shall be deducted from their aggregate Available NTS Entry Capacity (determined as fully adjusted) for the period for which it has been surrendered, to determine the Users Overrun Quantity and be considered when calculating the System Entry Overrun Charge.
- The Forward Agreement will be treated as a Relevant Capacity Cost and feed into the Capacity Neutrality Arrangements in accordance with UNC TPD B2.13.2. For the avoidance of doubt the Relevant Capacity Costs feed into the National Grid NTS constraint management incentive.
- Amounts payable from the Forward Agreement will be treated as NTS Entry Capacity Surrender Charges and be invoiced and payable in accordance UNC TPD Section S.
- The surrendering User will be invoiced for their Registered NTS Entry Capacity (which is unaffected by the surrender of Available System Capacity) and will receive a credit for their surrendered Available System Capacity allocated as Additional Quarterly NTS Entry Capacity. This will be done via the existing invoicing processes.

AMSEC Auction Surrender and Oversubscription processes

- No less than fifteen Business Days prior to a notification of the Annual Invitation for Monthly System Entry Capacity, National Grid NTS will invite Users to surrender Available System Capacity at an IP (the Surrender Invitation), for allocation to Users requesting capacity in the AMSEC auction being held within that Capacity Year.
- A surrendering User shall remain liable for all charges and liabilities associated with the Surrendered Capacity irrespective of whether it is subsequently allocated.
- Until Surrendered Capacity is allocated the surrendering Users Available System Capacity shall remain unchanged.
- The Surrender Invitation(s) will state:
 - The IP
 - The duration of the Surrender Window, which shall be five consecutive Business Days and shall open no less than five Business Days after the Surrender Invitation is issued
 - The details of how Users can provide their Surrender Offer(s) at an IP.
 - The Minimum Eligible Amount which will be 100,000 kWh/day.
 - That a User cannot offer to surrender a quantity greater than their Available Firm NTS Entry Capacity i.e. net of NTS Entry Capacity at that IP for the month(s) that they are offering to surrender capacity for.
- Users wishing to take part in the AMSEC auction surrender process must, between 0800 and 1700 on the dates specified in the Surrender Invitation, provide the following information to National Grid NTS, for each Surrender Offer:
 - The IP
 - User ID
 - The amount that they are offering to surrender. This must be equal to or greater than the Minimum Eligible Amount of 100,000kWh/day
 - The minimum amount that they are offering to surrender. This must be equal to or greater than the Minimum Eligible Amount of 100,000kWh/day and less than or equal to the amount that is being offered for surrender
 - The calendar month(s) for which the Surrender Offer applies (these do not have to be consecutive months).
- National Grid NTS will not accept a Surrender Offer for a month(s) that is not oversubscribed
- By submitting a Surrender Offer the surrendering User agrees to surrender Available System Capacity up to the amount offered and is confirming that they have sufficient Available System Capacity to fulfil the Surrender Offer.
- When the surrendering User does not have sufficient Available System Capacity to fulfil the Surrender Offer National Grid NTS may not accept the Surrender Offer.
- Users may submit more than one Surrender Offer but may not submit more than one Surrender Offer per calendar month per IP. A submitted offer may cover multiple months and must fall within the months that can be allocated within the relevant AMSEC auction.

- Users can amend or withdraw their Surrender Offers at any time between 08:00 and 17:00 hours on each Day of the Surrender Window until 17:00 hours on the last Day of the Surrender Window
- After the Surrender Window closes Users will be informed by the first AMSEC invitation letter issued after the Surrender Window closes, of the aggregate quantities of Available System Capacity that have been offered for surrender and the calendar months in which it has been offered.
- National Grid NTS may also choose to make additional NTS Entry Capacity available through this process as Discretionary NTS Entry Capacity.
- When National Grid NTS has received Capacity Bids that in aggregate exceed the quantity of Unsold NTS Entry Capacity that has been made available in tranche 4 of the AMSEC auction, unsatisfied Tranche 4 Capacity Bids will be allocated surrendered Available System Capacity as Registered System Capacity.
- If there is no or insufficient surrendered Available System Capacity National Grid NTS may also allocate unsatisfied tranche 4 bids Discretionary NTS Entry Capacity which National Grid NTS in its sole discretion may make available to Users.
- The allocation of surrendered Available System Capacity as Registered System Capacity and Discretionary NTS Entry Capacity will be via an adhoc allocation process (the AMSEC Surrender and Oversubscription Auction)
- National Grid NTS will undertake the AMSEC Surrender and Oversubscription Auction on behalf of Users via a DRSEC auction.
- National Grid NTS will place all unsatisfied AMSEC tranche 4 Capacity Bids in the Surrender and Oversubscription Auction and each Capacity Bid shall specify (please note that these bids will be the same as the original AMSEC bid(s) submitted in tranche 4 of the AMSEC auction except where pro-rated in the tranche 4 allocation):
 - User ID
 - The IP
 - The Month(s) for which NTS Entry Capacity is applied for
 - The amount , which shall not be less than the Minimum Eligible Amount of 100,000kWh/day
 - The minimum amount which the User is willing to be allocated (except where a bid has been part allocated within Tranche 4), which shall not be less than the Minimum Eligible Amount
 - The Bid Price which the User is willing to pay by way of NTS Entry Capacity Charges, which shall not be less than the Reserve Price at the IP at which the User had placed its original Capacity Bid
- National Grid NTS will reject a bid where:
 - Any requirements of the paragraph above are not complied with
 - In accordance with UNC TPD Section V3
- Surrendered Available System Capacity and any Discretionary NTS Entry Capacity that National Grid NTS releases, will be allocated as follows:
 - All Capacity Bids will be ranked in order of price with the highest ranked first
 - Surrendered Available System Capacity will be allocated first to the highest priced bid(s)

- Where the amount of NTS Entry Capacity applied for under a Bid exceeds any remaining unallocated Surrendered System Capacity, after allocation to higher priced bids and National Grid NTS does not choose to release Discretionary NTS Entry Capacity, the User will be allocated an amount equal to the remaining unallocated amount (subject to the minimum amount criteria unless previously part allocated within Tranche 4)
- Where two or more bids specify the same Bid Price and the amount of NTS Entry Capacity applied for exceeds any remaining unallocated Surrendered System Capacity, where National Grid NTS does not choose to release Discretionary NTS Entry Capacity, the bids will be allocated prorata to the amounts applied for in each such bid (subject to the minimum amount criteria unless previously part allocated within Tranche 4). Where any such bids are rejected (due to the minimum amount) the remaining bid(s) at that price shall be allocated/pro-rated.
- Bids may be allocated with a combination of both Surrendered Available System Capacity and Discretionary NTS Entry Capacity however Discretionary NTS Entry Capacity will be only be allocated when:
 - National Grid NTS in its sole discretion chooses to make it available; and
 - no Available System Capacity has been surrendered; or
 - the surrendered Available System Capacity has been allocated
- Each User whose Capacity Bid is allocated will be registered as holding NTS Entry Capacity (for the amount allocated) for the relevant Month(s) at that IP
- For the avoidance of doubt surrendered Available System Capacity allocated to Users will feed into the entry capacity neutrality arrangements as a Relevant Capacity Revenue
- A User(s) will pay in respect of each Day, when due, NTS Entry Capacity Charges for any NTS Entry Capacity allocated through this process i.e. the quantity of NTS Entry Capacity allocated multiplied by the bid price tendered multiplied by the relevant period.
- The surrendering User will receive the Weighted Average Price of all the bids allocated surrendered Available System Capacity for that month at that IP.
- Surrendered Available System Capacity allocated through this process shall be;
 - utilised in respect of System Entry Overrun Charge calculations i.e. a User's Available System Capacity will reflect either the NTS Entry Capacity bought or Available System Capacity surrendered as applicable and the allocated price will be considered in the calculation of the System Entry Overrun Charge.
 - subject to the provisions of UNC Section V3, as for all other allocation processes, if a User fails to meet these provisions then their Capacity Bids will be rejected.
- No later than two Business Days prior to the first day of the period to which the AMSEC auction relates, National Grid NTS will inform a User of:
 - those of its Capacity Bids that have been accepted,
 - the amount of NTS Entry Capacity which it is registered as holding for the IP and the period (for clarification the relevant period will be the period for which the capacity has been allocated) via the AMSEC Surrender and Oversubscription process.
- No later than one Business Day prior to the first day of the period to which the AMSEC relates, National Grid NTS will provide information to all Users in

accordance with UNC Section B paragraph 2.14.2 other than sub paragraphs (a), (b) and (h).

- Each Surrender Offer submitted, will on receipt by National Grid NTS, be time stamped
- A time stamp will be specific to a Surrender Offer when it is submitted, if a Surrender Offer is withdrawn and resubmitted or amended it will receive a new time stamp
- When more than one User has surrendered Available System Capacity, the Unsold NTS Entry Capacity can be allocated and the aggregate quantity of surrendered Available System Capacity exceeds the remaining Bid quantities, the Surrender Offers will be accepted (subject to the surrendering Users specified minimum amount) in order of time stamp i.e. Surrender Offers will be taken based on the time and date that they were received by National Grid NTS with the earliest received taken first.
- If for any reason two or more Surrender Offers have the same time stamp and the aggregate quantity of surrendered Available System Capacity exceeds the remaining unsatisfied bid quantities, the Surrender Offers will be prorated. When a Surrender Offers resulting prorated quantity is less than the minimum amount specified by the surrender User then the Surrender Offer will be rejected and the proration recalculated for the remaining Surrender Offers.
- When Surrendered Available System Capacity is allocated National Grid NTS will undertake the surrender on the Users behalf.
- National Grid NTS will reject or prorate a Surrender Offer where a User does not hold sufficient Available System Capacity at that IP for the period for which the Surrender Offer has been made.
- National Grid NTS will undertake the surrender through a Forward Agreement(s). This will not require the User(s) to undertake any actions on National Grid NTS' computer system(s) or for National Grid NTS to issue a Forward Agreement Tender Invitation Notice.
- National Grid NTS will use a Forward Agreement(s) to adjust the surrendering Users Available System Capacity to reflect the Users quantity of surrendered Available System Capacity allocated as NTS Entry Capacity in the AMSEC Surrender and Oversubscription Auction for the relevant month(s)
- National Grid NTS will update its computer system(s) with the details of the Forward Agreement(s) within Five Business Days of the allocation of NTS Entry Capacity in the AMSEC Surrender and Oversubscription Auction
- Each Forward Agreement will detail:
 - IP
 - User ID
 - The duration, this may be for a Month or consecutive months
 - The Maximum Forward Quantity (kWh/day) for each month(s), the Users Available System Capacity that has been surrendered (and subsequently allocated as Discretionary NTS Entry Capacity)
 - Capacity Management Charge, the amount payable to the User for the surrendered Available System Capacity which in this instance will be the Weighted Average Price (WAP) in respect of all Capacity Bids allocated with surrendered Available System Capacity for the relevant month in the AMSEC Surrender and Oversubscription Auction
 - A separate WAP may be applicable for each relevant month
- Once National Grid NTS has updated the relevant systems it will provide a surrendering User at the IP details of their accepted Surrenders i.e.
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- IP
- The Maximum Forward Quantity (kWh/day)
- Capacity Management Charge
- NTS Entry Capacity that is allocated shall be included in the allocated Users aggregate Available NTS Entry Capacity (determined as fully adjusted) to determine the Users Overrun Quantity and be considered when calculating the System Entry Overrun Charge.
- A surrendering Users Available System Capacity that is allocated as NTS Entry capacity shall be deducted from their aggregate Available NTS Entry Capacity (determined as fully adjusted) to determine the User's Overrun Quantity and be considered when calculating the System Entry Overrun Charge.
- The Forward Agreement will be treated as a Relevant Capacity Cost and feed into the Capacity Neutrality Arrangements in accordance with UNC TPD B2.13.2. For the avoidance of doubt the Relevant Capacity Cost feeds into the National Grid NTS Constraint Management Incentive.
- Amounts payable under the Forward Agreement will be invoiced and payable in accordance with UNC TPD Section S.
- The surrendering User will be invoiced for their Registered NTS Entry Capacity (which is unaffected by the surrender of Available System Capacity) and will receive a credit for their surrendered Available System Capacity allocated as NTS Entry Capacity. This will be done via the existing invoicing processes.

NTS Exit Capacity Surrender Processes

Enduring Annual NTS Exit (Flat) Capacity Surrender Process

- No less than fifteen Business Days prior to a notification to participate in the NTS Exit (Flat) Capacity Annual Application Window (the July Application Window) in a Capacity Year, National Grid NTS will invite Users to surrender Enduring Annual NTS Exit (Flat) Capacity at an IP from their Registered System Capacity (the Surrender Invitation), for allocation to Users requesting Enduring Annual NTS Exit (Flat) Capacity in that July Application Window (for the purposes of this Modification such capacity will be described as Surrendered Capacity) at that IP.
- Surrendered System Capacity that is not allocated as part of this process shall remain as part of the surrendering Users Registered System Capacity.
- The Surrender Invitations will state:
 - The IP(s)
 - The duration of the Surrender Window, which shall be five consecutive Business Days and shall open no less than five Business Days after the Surrender Invitation is issued
 - The details of how Users can provide their Surrender Offers at an IP.
 - The Minimum Eligible Amount which will be 100,000 kWh/day.
 - That a User cannot offer to surrender a quantity greater than their Available System Capacity i.e. net of NTS Exit Capacity Transfers, Reductions and Assignments at that IP for the period that they are offering to surrender Registered System Capacity for
 - For the avoidance of doubt a Reduction Notice(s) that have been or are submitted within a July Reduction Window, to

which National Grid NTS has not yet given effect will take precedence over a Surrender Offer(s)

- Users may submit four Surrender Offers for each of Gas Years Y+4, Y+5 and Y+6 (twelve offers in total)
- Users wishing to take part in the surrender process must, between 0800 and 1700 on the dates specified in the Surrender Invitation, provide the following information, for each Surrender Offer, to National Grid NTS:
 - The IP
 - The amount that they are offering to surrender. This must be equal to or greater than the Minimum Eligible Amount of 100,000kWh/day
 - The minimum amount that they are offering to surrender. This must be equal to or greater than the Minimum Eligible Amount of 100,000kWh/day and less than or equal to the amount that is being offered for surrender
 - The start date for which the Surrender Offer applies, which must be the 1st day of a calendar month and cannot be earlier than the 1 October Y+4 or later than 1 September Y+6
 - Whether the start date is fixed or flexible. Fixed will mean that the Surrender Offer can only be taken from the start date specified, flexible will mean that National Grid NTS may utilise the Surrender Offer from a later start date within that Gas Year, than that requested in the Surrender Offer.
 - The Gas Year
- National Grid NTS will not accept a Surrender Offer for a period that is not oversubscribed
- By submitting a Surrender Offer the surrendering User agrees to surrender Registered System Capacity up to the amount offered and is confirming that they have sufficient Registered and Available System Capacity to fulfil the Surrender Offer.
- When the surrendering User does not have sufficient Registered and/or Available System Capacity, as applicable, to fulfil the Surrender Offer National Grid NTS may not accept the Surrender Offer.
- For the avoidance of doubt an allocated Surrender Offer cannot result in a User having negative Registered and/or Available System Capacity
- Users may submit no more than one Surrender Offer per start date per IP in this surrender process
- Users can amend or withdraw their Surrender Offer(s) at any time between 08:00 and 17:00 hours on each Day of the Surrender Window until 17:00 hours on the last Day of the Surrender Window.
- After the Surrender Window closes Users will be informed of the aggregate quantities of Registered System Capacity that have been offered for surrender, the calendar month(s) from which it has been offered and the Gas Year, via the first Notification to participate in the July Application Window issued after the Surrender Window.
- When National Grid NTS has received applications for Enduring Annual NTS Exit (Flat) Capacity that in aggregate exceed the quantity of Remaining Available NTS Exit (Flat) Capacity that has been made available at an IP in the July Application Window, surrendered Registered System Capacity will be allocated after the Remaining Available NTS Exit (Flat) Capacity and prior to any other means of allocating Enduring Annual NTS Exit (Flat) Capacity (which for the avoidance of doubt includes substitution)

- Surrendered Registered System Capacity will be allocated as Enduring Annual NTS Exit (Flat) Capacity
- For the avoidance of doubt allocated Enduring Annual NTS Exit (Flat) Capacity will be subject to user commitment as determined in accordance with the principles of the prevailing Exit Capacity Release Methodology Statement (which may be amended to accommodate this Modification)
- A User allocated surrendered Registered System Capacity as Enduring Annual NTS Exit (Flat) Capacity, will pay the Applicable Daily Rate at the IP
- Surrendered Registered System Capacity allocated through this process shall be;
 - Utilised in determining whether there is a Chargeable NTS Exit (Flat) Overrun and the NTS Exit (Flat) Overrun Charge i.e. a User's Registered and Available Enduring Annual NTS Exit (Flat) Capacity will reflect the amount of Enduring Annual NTS Exit (Flat) Capacity allocated or surrendered as applicable.
 - subject to the provisions of UNC Section V3, as for all other allocation processes, if a User fails to meet these provisions then their Enduring Annual NTS Exit (Flat) Capacity application will be rejected.
- Each Surrender Offer submitted, will on receipt by National Grid NTS, be time stamped
- A time stamp will be specific to a Surrender Offer when it is submitted, if a Surrender Offer is withdrawn and resubmitted or amended it will receive a new time stamp
- When more than one User has surrendered Registered System Capacity, the Remaining Available NTS Exit (Flat) Capacity can be allocated and the aggregate quantity of surrendered Registered System Capacity exceeds the remaining application quantities, the Surrender Offers will be accepted (subject to the surrendering Users specified minimum amount) in order of time stamp i.e. Surrender Offers will be taken based on the time and date that they were received by National Grid NTS with the earliest received taken first.
- If for any reason two or more Surrender Offers have the same time stamp and the aggregate quantity of surrendered Registered System Capacity exceeds the remaining application quantities, the Surrender Offers will be prorated. When the resulting prorated quantity is less than the minimum amount specified by the surrendering User then the Surrender Offer will be rejected and the proration recalculated for the remaining Surrender Offers with that time stamp.
- National Grid NTS will undertake the surrender of Registered System Capacity on behalf of the surrendering User through the existing Enduring Annual NTS Exit (Flat) Capacity Reduction process functionality. This will not require the surrendering User(s) to undertake any actions on the National Grid NTS computer systems
- National Grid NTS will update its computer systems on behalf of each surrendering User after the closure of the July Application Window and no later than five Business Days after the completion of the Enduring Annual NTS Exit (Flat) Capacity allocation process on 30 September in Gas Year Y.
- National Grid NTS will then notify the surrendering User of the following in relation to its Surrender Offer(s):
 - IP
 - The User Reduction Date, which must be the 1st Day of a calendar month and cannot be earlier than 1 October Y+4 or later than 1 September Y+6
 - The amount of Enduring Annual NTS Exit (Flat) Capacity that the User will be registered as holding at the IP from the User Reduction Date

- The surrendering User shall not be invoiced or credited for any surrendered Registered System Capacity that is allocated through this process.

Annual NTS Exit (Flat) Capacity Surrender Process

- No less than fifteen Business Days prior to a notification to participate in the NTS Exit (Flat) Capacity Annual Application Window (the July Application Window) National Grid NTS will invite Users to surrender Available System Capacity holdings (the Surrender Invitation), for allocation to Users requesting Annual NTS Exit (Flat) Capacity in that July Application Window (for the purposes of this Modification such capacity will be described as Surrendered Capacity) at that IP.
- A surrendering User shall remain liable for all charges and liabilities associated with the Surrendered Capacity irrespective of whether it is subsequently allocated.
- Until Surrendered Capacity is allocated the surrendering Users Available System Capacity shall remain unchanged.
- The Surrender Invitations will state:
 - IP(s)
 - The duration of the Surrender Window, which shall be five consecutive Business Days and shall open no less than five Business Days after the Surrender Invitation is issued
 - The details of how Users can provide their Surrender Offer(s) at an IP.
 - The Minimum Eligible Amount which will be 100,000 kWh/day.
 - That a User cannot offer to surrender a quantity greater than their Available System Capacity i.e. net of NTS Exit Capacity Transfers, Reductions and Assignments for that Gas Year at that IP
 - For the avoidance of doubt a Reduction Notice(s) that have been or are submitted within a July Reduction Window, to which National Grid NTS has not yet given effect, will take precedence over a Surrender Offer(s)
- Users may submit one Surrender Offer for each of Gas Year Y+1, Y+2 and Y+3 (three offers in total)
- Users wishing to take part in the surrender process must, between 0800 and 1700 on the dates specified in the Surrender Invitation, provide the following information, for each Surrender Offer, to National Grid NTS:
 - User ID
 - The IP
 - The amount that they are offering to surrender. This must be equal to or greater than the Minimum Eligible Amount of 100,000kWh/day
 - The minimum amount that they are offering to surrender. This must be equal to or greater than the Minimum Eligible Amount of 100,000kWh/day and less than or equal to the amount that is being offered for surrender
 - The start date of the surrender offer which shall be 1 October
 - The Gas Year which shall be one of Y+1,Y+2 or Y+3
- By submitting a Surrender Offer the surrendering User agrees to surrender Available System Capacity up to the amount offered and is confirming that they have sufficient Available System Capacity to fulfil the Surrender Offer.

- When the surrendering User does not have sufficient Available System Capacity to fulfil the Surrender Offer National Grid NTS may not accept the Surrender Offer.
- Users may submit no more than one Surrender Offer, per start date, per IP in this surrender process (for clarification where a Surrender Offer has been withdrawn a new Surrender Offer may be submitted for that start date)
- Users can amend or withdraw their Surrender Offer(s) at any time between 08:00 and 17:00 hours on each Day of the Surrender Window until 17:00 hours on the last Day of the Surrender Window
- Users will be informed of the aggregate quantity of Available System Capacity made available for surrender and the Gas Year (i.e. from 1 October to 30 September in Y+1, Y+2 or Y+3) via the notification to participate in the July Application Window.
- When National Grid NTS has received applications for Annual NTS Exit (Flat) Capacity that in aggregate exceed the quantity of Remaining Available NTS Exit (Flat) Capacity that has been made available in the July Application Window for Y+1, Surrendered Available System Capacity will be allocated after the Remaining Available NTS Exit (Flat) Capacity as additional Annual NTS Exit (Flat) Capacity above the Baseline NTS Exit (Flat) Capacity.
- Surrendered Available System Capacity allocated through this process shall be;
 - Utilised in determining whether there is a Chargeable NTS Exit (Flat) Overrun and the NTS Exit (Flat) Overrun Charge i.e. a User's Registered and/or Available Annual NTS Exit (Flat) Capacity will reflect the amount of Annual NTS Exit (Flat) Capacity either bought or surrendered as applicable.
 - subject to the provisions of UNC Section V3, as for all other allocation processes if a User fails to meet these provisions then their NTS Exit (Flat) Capacity applications will be rejected.
- Each Surrender Offer submitted, will on receipt by National Grid NTS, be time stamped
- A time stamp will be specific to a Surrender Offer when it is submitted, if a Surrender Offer is withdrawn and resubmitted or amended it will receive a new time stamp
- When more than one User has surrendered Available System Capacity, the Remaining Available NTS Exit (Flat) Capacity can be allocated and the aggregate quantity of surrendered Available System Capacity exceeds the remaining application quantities, the Surrender Offers will be accepted (subject to the surrendering Users specified minimum amount) in order of time stamp i.e. Surrender Offers will be taken based on the time and date that they were received by National Grid NTS with the earliest received taken first.
- If for any reason two or more Surrender Offers have the same time stamp and the aggregate quantity of surrendered Available System Capacity exceeds the requested application quantities, the Surrender Offers will be prorated. When a Surrender Offers resulting prorated quantity is less than the minimum amount specified by the surrender User then the Surrender Offer will be rejected and the proration will be recalculated for the remaining Surrender Offer(s) with that time stamp.
- When Surrendered Available System Capacity is to be allocated National Grid NTS will undertake the surrender on the Users behalf
- National Grid NTS will reject or prorate a Surrender Offer where a User does not hold sufficient Available System Capacity at that IP for the period for which the Surrender Offer has been made.
- National Grid NTS will undertake the surrender through a Forward Agreement. This will not require the User(s) to undertake any actions on National Grid NTS'

computer systems or for National Grid NTS to issue a Forward Agreement Tender Invitation Notice.

- National Grid NTS will use a Forward Agreement to adjust the surrendering Users Available System Capacity to reflect the Users quantity of surrendered Available System Capacity allocated as additional Annual NTS Exit (Flat) Capacity.
- National Grid NTS will update its computer system(s) with the details of the Forward Agreement(s) within five Business Days of the allocation of the Annual NTS Exit (Flat) Capacity
- Each Forward Agreement will detail:
 - User ID
 - IP
 - The duration, which will be 1 October to 30 September in Y+1, Y+2 or Y+3
 - The Maximum Forward Quantity (kWh/day) (i.e. the Users Available System Capacity that has been surrendered (and subsequently allocated as additional Annual NTS Exit (Flat) Capacity))
 - The amount that is paid to the User for the surrendered Available System Capacity, which will be based on the prevailing charge for the period for which the Available System Capacity was surrendered
- Once National Grid NTS has updated the relevant systems it will provide each surrendering User at the IP details of their accepted Surrenders i.e.
 - The duration
 - IP
 - The Maximum Forward Quantity (kWh/day)
- Amounts payable under Forward Agreement will be invoiced and payable in accordance UNC TPD Section S.
- The surrendering User will be invoiced for their Registered Annual NTS Exit (Flat) Capacity (which is unaffected by the surrender of Available System Capacity) and will receive a credit for their surrendered Available System Capacity allocated as additional Annual NTS Exit (Flat) Capacity. This will be done via existing invoicing processes.

Transparency Obligations

The CMP transparency obligations require and it is proposed that National Grid NTS will publish for IPs only, no later than 5 Business Days after the last Day of each calendar month:

- Details of each Enduring Annual NTS Exit (Flat) Capacity application and Annual NTS Exit (Flat) Capacity application, that were either not allocated NTS Exit (Flat) Capacity or partially allocated NTS Exit (Flat) Capacity, for each of these applications the following information will be published:
 - The IP
 - The class of NTS Exit (Flat) Capacity which will be Enduring Annual NTS Exit (Flat) Capacity or Annual NTS Exit (Flat) Capacity
 - Application start date, which is the first month and Gas Year for which the application applies
 - Application Amount, which is the amount of NTS Exit (Flat) Capacity subject to the capacity application

- Allocated amount, which is the amount of NTS Exit (Flat) Capacity allocated in relation to the capacity application
- For allocations of Quarterly NTS Entry Capacity where capacity bids have been allocated at a step price that is in excess of the reserve price and Monthly NTS Entry Capacity where capacity bids have been allocated above the reserve price, National Grid NTS will publish;
 - The IP
 - The allocation process, which will be either an Annual NTS Entry Capacity auction or Rolling Monthly NTS Entry Capacity auction
 - The reserve price
 - The QSEC auction step price as applicable
 - The AMSEC auction Weighted Average Price by tranche as applicable
 - The Rolling Monthly NTS Entry Capacity auction Weighted Average Price as applicable
- For clarification the first month that such information will be published (outside of any existing UNC requirements) will be the first month after the allocation of the relevant auction.
- For NTS Exit (Flat) Capacity application processes, Annual NTS Entry Capacity auctions and Rolling Monthly NTS Entry Capacity auctions, National Grid NTS, in instances where no capacity has been made available, will publish the following;
 - The IP
 - The relevant NTS Exit (Flat) application or NTS Entry Capacity auction process

The CMP transparency obligations require and it is proposed that National Grid NTS will, publish for IPs only, no later than 5 Business Days after the last Day of each calendar quarter:

- The aggregate Firm NTS Exit (Flat) Capacity made available via:
 - The Enduring Annual NTS Exit (Flat) Capacity surrender process; and
 - The Annual NTS Exit (Flat) Capacity surrender process
- The aggregate amount of additional Annual NTS Exit (Flat) Capacity allocated
- The aggregate Firm NTS Entry Capacity made available via:
 - The QSEC Auction surrender process; and
 - The AMSEC Auction surrender and oversubscription process

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification

This modification is not proposed to be User Pays as existing system functionality will be utilised and no material costs are expected to arise as a result of implementation.

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
NA
Proposed charge(s) for application of User Pays charges to Shippers
NA
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve
NA

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.	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.	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.	Positive

Implementation of this modification is expected to support the securing of effective competition between Shippers by introducing provisions that are more closely aligned across the EU. The existence of consistent rules is expected to help Shippers to be familiar with the conditions that apply and to have confidence regarding the operating regime, facilitating operation across various EU states and encouraging participation in different EU states. This would encourage entry to the GB market, and also facilitate gas being delivered to and from GB, thereby creating a more liquid and competitive market, supporting security of supply.

The additional provisions contained within this modification would enable Users to surrender capacity at interconnection points provided other Users wish to purchase

that capacity. To the extent that this would not otherwise happen through trading, implementation of this modification would support capacity being allocated to those parties that require it, thereby potentially reducing a barrier to entry for those otherwise unable to obtain capacity. Implementation could therefore be regarded as supporting the securing of effective competition. Given this, it may be considered unduly discriminatory to introduce these provisions solely at interconnection points. However, the practical processes to support the planned approach and deliver compliance with EU obligations are not considered suitable for scaling to all entry and exit points, relying on manual intervention rather than being fully systematised. Given this, and that the benefits are expected to be marginal in light of the availability of trading and a number of measures to prevent undue capacity holding at all entry and exit points, the proposed approach is a proportionate approach and is not expected to unduly discriminate between Interconnection Points and other Entry and Exit Points. In addition, since the obligations apply equally to all Users, no undue discrimination between Users would be introduced as a result of implementation.

This modification would introduce elements of the congestion management procedures (CMP) required under Gas Regulation (EC) no. 715/2009. Implementation would, therefore, directly facilitate the Relevant Objective regarding compliance with the Regulation.

5 Implementation

The Workgroup has not proposed a timescale for implementation of this modification, but would suggest that it is implemented at the earliest practical opportunity.

Gazprom, National Grid NTS and RWE npower would prefer to see implementation by 01 October 2013, in line with obligations under the CMP network code.

6 Legal Text

Text

The Workgroup reviewed the text, and National Grid NTS undertook to review all the points raised with a view to providing a revised version of the text. Revised text was prepared by National Grid NTS (published alongside this Report).

7 Consultation Responses

Representations were received from the following parties:

Company/Organisation Name	Support Implementation or not?
Gazprom	Support
Interconnector (UK) Ltd	Support
National Grid NTS	Support
RWE Npower	Support

Of the 4 representations received implementation was unanimously supported.

Summary Comments

All respondents note that, although this modification is intended to facilitate compliance with the 01 October 2013 deadline as specified under CMP, the expectation is that these processes will need to be reviewed through the development and implementation of the Capacity Allocation Mechanism (CAM) European Network Code requirements. As part of this process the definition of an Interconnection Point may need to be redefined to ensure alignment between the codes.

Gazprom notes that this modification and CMP has the purpose of addressing contractual, rather than physical, congestion within the pipeline.

8 Panel Discussions

The Panel Chair summarised that this modification seeks to facilitate compliance with Annex I to Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks with regards to the Congestion Management Procedures. Compliance will be facilitated by the introduction of a new classification of System Entry Point and NTS Exit Point within the UNC. It will also put in place an oversubscription process for the AMSEC Auction, new transparency obligations and new NTS Entry and Exit Capacity surrender processes for the relevant entry and exit capacity products.

Members recognised that this modification would introduce elements of the congestion management procedures (CMP) required under Gas Regulation (EC) no. 715/2009. Implementation would, therefore, directly facilitate the Relevant Objective regarding compliance with the Regulation and any relevant legally binding decisions of the European Commission.

In addition, Members recognised that implementation of this modification potentially supports the securing of effective competition between Shippers by introducing provisions that are more closely aligned across the EU. The existence of consistent rules is expected to help Shippers to be familiar with the conditions that apply and to have confidence regarding the operating regime, facilitating operation across various EU states and encouraging participation in different EU states. This would encourage entry to the GB market, and also facilitate gas being delivered to and from GB, thereby creating a more liquid and competitive market, supporting the securing of effective competition.

The additional provisions contained within this modification would enable Users to surrender capacity at interconnection points provided other Users wish to purchase that capacity. To the extent that this would not otherwise happen through trading, implementation of this modification would support capacity being allocated to those parties that require it, thereby potentially reducing a barrier to entry for those otherwise unable to obtain capacity. Implementation could therefore be regarded as supporting the securing of effective competition. Given this, Members recognised that it may be considered unduly discriminatory to introduce these provisions solely at interconnection points. However, the practical processes to support the planned approach and deliver compliance with EU obligations are not considered suitable for scaling to all entry and exit points, relying on manual intervention rather than being fully systematised. Given this, and that the benefits are expected to be marginal in light of the availability of trading and a number of measures to prevent undue capacity holding at all entry and exit points, Members felt the proposed approach is a proportionate approach and is not expected to unduly discriminate between Interconnection Points and other Entry and Exit Points. In addition, since the obligations apply equally to all Users, no undue discrimination between Users would be introduced as a result of implementation.

Members then voted unanimously to recommend implementation of Modification 0449.

9 Recommendation

Panel Recommendation

Having considered the Modification Report, the Panel recommends:

- that proposed Modification 0449 should be made.