

MODIFICATION 0843

ESTABLISHING THE INDEPENDENT SHRINKAGE CHARGE AND THE INDEPENDENT SHRINKAGE EXPERT

[Draft] Proposed Legal Text

TRANSPORTATION PRINCIPAL DOCUMENT

SECTION E: DAILY QUANTITIES, IMBALANCES AND RECONCILIATION

Amend paragraph 7.3 to read as shown below:

[7.3.1] A reconciliation shall be carried out ...

- (a) ...; ~~or~~
- (b) ...; ~~or~~
- (c) pursuant to Section N5.5, an adjustment is made to the aggregate amount of LDZ Shrinkage for any LDZ in any [Formula Year], in respect of an amount as provided in the [].

[]

SECTION H – DEMAND ESTIMATION AND DEMAND FORECASTING

Amend paragraphs 2.6.1 and 2.6.2 to read as shown below:

2.6.1 The "Unidentified Gas" (UIG) for a LDZ and a Day shall be determined as follows:

$$UIG = (LDQO - AULOQ) - (DISLQ + DISIQ)$$

where:

LDQO is the LDZ Daily Quantity Offtaken;

AULOQ is the aggregate for all Users of the User LDZ Offtake Quantities for the Day;

DISLQ is the Daily IS LDZ Quantity for the Formula Year in which such Day falls (as determined in accordance with Section N5.3);

DISIQ is the aggregate of the Daily IS IGTS Quantity for the Formula Year in which such Day falls for each IGTS connected to the LDZ.

2.6.2 The "Forecast Unidentified Gas" (FUIG) at any time for a LDZ and a Day shall be determined as follows:

$$FUIG = (ALFD - AULNQ) - (DISLQ + DISIQ)$$

where:

Commented [Dentons1]: Not a new type of UNC 'charge' as such, rather (at least for DN) a requirement to purchase additional shrinkage gas quantities in accordance with existing processes?

Commented [Dentons2]: For now drafting for LDZ and IGT changes all in one place, what needs to change in IGTAD, i.e. to the existing rules between DN and IGTS can be considered once more known about proposed mechanism for IGTS contracting with Shippers to purchase IGTS shrinkage gas.

Commented [Dentons3]: BR 10 and 11: To discuss, not 100% sure what is being 'reconciled' under BR10 and 11, the difference between estimated and assessed LDZ Shrinkage under N3.1 and 3.3 for FY, i.e. the 'error' and ISE's view of estimated shrinkage for the FY? So a new separate reconciliation under E7.3 which may follow any reconciliation pursuant to N3.4.1? To be confirmed.

Commented [Dentons4]: And to consider impacts on 7.3.2.

Formatted: Level 4 Number

Commented [Dentons5]: BR8: To be confirmed this is what is intended, i.e. UIG is reduced in the LDZ by (1) the difference between the Transporter's and the ISE's shrinkage estimates and (2) any shrinkage identified by the ISE as attributable to any IGTS connected to the LDZ.

Commented [Dentons6]: BR8.

Commented [Dentons7]: BR14: So applying LDZ and relevant IGTS deductions at the LDZ level, which seems to be what is intended. To be confirmed.

Further Solution Notes indicate no intention DN has any responsibility for IGTS shrinkage.

AFLD is the Forecast LDZ Demand for the Day (in accordance with paragraph 5.2.7(a) at that time, adjusted to exclude forecast LDZ shrinkage and forecast stock change;

AULOQ is the aggregate for all Users of the User LDZ Nomination Quantity for the Day at that time;

and DISLQ and DISIQ shall have the meanings given in paragraph 2.6.1.

SECTION N - SHRINKAGE

Renumber existing paragraph 5 as a new paragraph 6.

Insert new paragraph 5 to read as follows:

5 INDEPENDENT SHRINKAGE EXPERT

5.1 Interpretation

5.1.1 For the purposes of this paragraph 5:

- (a) the "Independent Shrinkage LDZ Quantity" or "ISLQ" is, in respect of an LDZ and a Formula Year, the quantity identified as such in the IS Annual Statement for the Formula Year;
- (b) the "Independent Shrinkage IGTS Quantity" or "ISIQ" is, in respect of an IGT System and a Formula Year, the quantity identified as such in the IS Annual Statement for the Formula Year;
- (c) the "IS Document" is the document entitled '[]' which sets out:
 - (i) the procedure for the appointment of the IS Expert;
 - (ii) the qualifications and competencies which the IS Expert is required to hold;
 - (iii) the criteria for selection of the IS Expert;
 - (iv) the terms of the IS Expert Contract;
 - (v) procedures for establishing and updating the IS Model and the IS Methodology and preparing the IS Annual Statement; and
 - (vi) [such other matters (consistent with this paragraph 5) as the Committee and the Transporters may agree;
- (d) the "IS Expert" is the person from time to time appointed as such expert pursuant to paragraph 5.2;
- (e) the "IS Expert Contract" is the contract between the CDSP and the IS Expert pursuant to which the IS Expert agrees to [];
- (f) the "IS Methodology" is [];
- (g) the "IS Model" is [];

Commented [Dentons8]: BR17.8: Do we want to say this is the quantity which the ISE estimates to be the LDZ shrinkage?

Commented [Dentons9]: BR17.9: That is gas which the ISE determines the IGT uses in the operation of, and/or which is unaccounted for, in the IGTS.

- (h) ["IS Quantities" means the Independent Shrinkage LDZ Quantity and the Independent Shrinkage IGTS Quantity for a Formula Years determined in accordance with the IS Methodology and the IS Model;]
- (i) the "IS Annual Statement" is the statement prepared by the IS Expert for a Formula Year (and in advance of such Formula Year) pursuant to paragraph 5.4; and
- (j) "IS Reconciliation Statement" is the statement prepared by the IS Expert for a Formula Year (following the end of such Formula Year) pursuant to paragraph 5.5.

5.1.2 [The IS Document is a UNC Related Document and a reference to the IS Document is to such document as from time to time in force.]

Commented [Dentons10]: To be confirmed.

5.1.3 A reference in this paragraph 5 to the Committee is to the Uniform Network Code Committee.

Commented [Dentons11]: BR13.

5.1.4 The Committee shall (inter alia) have the functions set out in this paragraph 5 and the IS Document.

5.2 Appointment of IS Expert

5.2.1 A person shall be appointed by the CDSP in accordance with this paragraph 5.2 for the purposes of:

- (a) developing and updating the IS Model and the IS Methodology;
- (b) in respect of a Formula Year and each LDZ, estimating the Independent Shrinkage LDZ Quantity;
- (c) in respect of a Formula Year and each IGT System, estimating the Independent Shrinkage IGTS Quantity;
- (d) preparing the IS Annual Statement for each Formula Year; and
- (e) [sending a copy of the IS Annual Statement for each Formula Year to the Authority].

5.2.2 The CDSP shall, subject to and in accordance with the IS Document and the requirements of the Committee:

- (a) prepare arrangements and documentation for a tender for the appointment of a person to act as the IS Expert;
- (b) conduct a tender on the basis of such arrangements and documentation;
- (c) review and assess the proposals made by persons tendering for appointment as the IS Expert ('bidders') pursuant to the tender;
- (d) where appropriate (for the purposes of appointing a bidder as the IS Expert) enter into discussions with one or more bidders;
- (e) seek to enter into an IS Contract with the preferred bidder;
- (f) perform the CDSP obligations and exercise the CDSP rights in accordance with the IS Contract.

5.2.3 Without prejudice to the requirements of the IS Document, the CDSP may seek guidance or direction of the Committee in relation to any step the CDSP proposes to take (or not take) in relation to the activities to be undertaken by the IS Expert under paragraph 5.2.1, the CDSP's activities for the purposes of paragraph 5.2.2 [and in relation to the IS Contract].

5.2.4 This paragraph 5.2 shall apply on each occasion on which an IS Expert is to be appointed.

Commented [Dentons12]: BR1, 2 and 3.

5.3 Terms of engagement of IS Expert

5.3.1 Nothing in this paragraph 5 shall require the CDSP to enter into an IS Expert Contract on terms which in the CDSP's reasonable opinion:

- (a) would be unlawful for the CDSP; or
- (b) would give rise to the CDSP incurring any liability, other than in respect of its own wilful misconduct, gross negligence or fraud.

5.3.2 The CDSP may enter into an IS Expert Contract on terms which:

- (a) limit or exclude the liability (as to such matters as may be provided in such contract) of the IS Expert;
- (b) provide that if a Party or any supplier or consumer makes any claim or takes any legal proceedings (as to such matters as may be provided in such contract) against the IS Expert, the CDSP will indemnify the IS Expert in respect of such claim or proceeding,

and in such a case each Party undertakes that it shall not, and in the case of a User it shall procure that each supplier and consumer does not, make such a claim or take such proceedings against the IS Expert, and shall indemnify the CDSP in respect of any liability to the IS Expert if such Party or any such supplier or relevant customer does make such a claim or take such proceedings.

5.3.3 For the avoidance of doubt, the CDSP shall not be the agent or trustee of any Party for the purposes of the IS Expert Contract, and the CDSP shall owe no duties or responsibilities to any Party in respect of the IS Expert Contract other than as provided in this paragraph 5 and the IS Document.

5.3.4 The CDSP shall not agree to any amendment to the terms of the IS Expert Contract without the prior approval of the Committee.

Commented [Dentons13]: BR4.

5.4 IS Statement and the IS Quantities

5.4.1 For each Formula Year the IS Expert shall prepare a statement, in accordance with the timetable set out in the IS Document, which:

- (a) sets out the basis on which the IS Expert has utilised the IS Methodology and the IS Model to determine the ISLQ for an LDZ and the ISIQ for an IGT System;
- (b) identifies the ISLQ for each LDZ;
- (c) identifies the ISIQ for each IGTS System; and
- (d) includes such other information as specified in the IS Document.

5.4.2 In respect of a Formula Year and an LDZ:

- (a) the "Annual IS LDZ Quantity" is the Independent Shrinkage LDZ Quantity for the Formula Year and the LDZ, less the LDZ Shrinkage Quantity for the Formula Year and LDZ (estimated by the relevant Transporter and notified to the Authority in accordance with paragraph 3.1.7 (or as otherwise determined pursuant to paragraph 3.1.8));
- (b) the "Daily IS LDZ Quantity" is:
- (i) where the Annual IS LDZ Quantity is positive, a quantity equal to the Aggregate IS LDZ Quantity divided by [365];
- (ii) where paragraph (i) does not apply, zero.

5.4.3 In respect of a Formula Year and an IGTS:

- (a) the "Annual IS IGTS Quantity" is the Independent Shrinkage IGTS Quantity for the IGTS and the Formula Year;
- (b) the "Daily IS IGTS Quantity" is:
- (i) where the Annual IS IGTS Quantity is positive, a quantity equal to the Annual IS IGTS Quantity divided by [365];
- (ii) where paragraph (i) does not apply, zero.

5.4.4 The IS Expert will send the IS Annual Statement to the Authority in accordance with the timetable set out in the IS Document.

5.4.5 The Annual IS LDZ Quantity for each LDZ and the Annual IS IGTS Quantity for each IGTS in respect of a Formula Year shall be the quantities identified in the IS Annual Statement, unless upon application of the Transporter or any User made no later than [] the Authority shall give Condition 11(18) Disapproval to the [Transporter] to the application of the Annual IS LDZ Quantity or Annual IS IGTS Quantity, in which case the Annual IS LDZ Quantity or the Annual IS IGTS Quantity for the Formula Year shall be that applying to the Preceding Formula Year (or in the absence of any such quantity, zero).

5.4.6 [Where the Annual IS LDZ Quantity is positive, for the purposes of paragraph 4.4.3(b) the Nomination Quantity for each Output Nomination to be made by a LDZ Shrinkage Provider shall be the sum of the LDZ Shrinkage Quantity and the Daily IS LDZ Quantity.]

5.4.7 []

5.5 Reconciliation

5.5.1 No later than [] in each Formula Year, the IS Expert shall in respect of the Preceding Formula Year [review the assessed LDZ shrinkage for each LDZ established under paragraph 3.3.1, the estimated LDZ for each LDZ established under paragraph 3.1 and the Independent Shrinkage LDZ Quantity for each LDZ].

5.5.2 Following the review under paragraph 5.5.1 the IS Expert shall prepare a statement ("Reconciliation Statement"), in accordance with the timetable set out in the IS Document, which shall specify:

Commented [Dentons14]: BR17.4.

Commented [Dentons15]: BR9.2: This is a daily quantity to be deducted from the daily UIG quantity for the LDZ calculated under H2.6.1. To be confirmed.

Commented [Dentons16]: Or number of days in relevant Formula Year?

Commented [Dentons17]: BR17.10.

Commented [Dentons18]: BR7: so if zero or negative no reduction in UIG at H2.6.1.

Commented [Dentons19]: BR17.6.

Commented [Dentons20]: BR9.2: This is a IGTS daily quantity to be deducted from the daily UIG quantity for the LDZ calculated under H2.6.1. To be confirmed.

Commented [Dentons21]: BR17.10.

Commented [Dentons22]: BR7: As above.

Commented [Dentons23]: Assume not open ended?

Commented [Dentons24]: To think about whether Authority could disapprove for some but not all LDZs and also about the disapproval mechanism in context of an IGT.

Commented [Dentons25]: BR6: See GTC2.8 which sets out operation of the Condition A11(18) Disapproval process, and note for this to operate (each) DN needs to (1) notify Shippers it intends taking the relevant 'step' (so reduce UIG and increase shrinkage purchase in line with ISE's estimates), (2) then determine to take the 'step' and (3) not take the step if the Authority disapproves.

Commented [Dentons26]: BR5 and 6.

Commented [Dentons27]: So the Daily IS LDZ quantity having moved out of the UIG pot is placed in the shrinkage pot instead. To be confirmed.

And the Further Solution Notes make clear ISIQ not to be rolled up with ISLQ and DN not responsible for purchasing ISIQs.

Commented [Dentons28]: BR9.

Commented [Dentons29]: LDZ SP purchases gas (in accordance with the rules in N4.1/4.2) so as to match the output nominations made on its behalf by NGT. What mechanism is proposed for IGT buying gas and acting as a shrinkage provider for the IGTS, as this seems to be what is intended under BR9.2?

IGTs are not parties to the TPD (so for instance rules about Output Nominations, Trade Nominations and Transporter as a User which are used in relation to LDZ Shrinkage do not apply in context of an IGT) and the relationship between IGTs and Shippers is in the IGT Code, so neither TPD or IGTS provide basis for an IGT and Shipper contracting for shrinkage on an IGTS.

Commented [Dentons30]: Need to discuss what BR10 and 11 are proposing and understand what is being

Commented [Dentons31]: BR10: To confirm if this is what is intended i.e. a review of the actual 'error', the

- (a) []
- (b) []

5.5.3 By no later than 31 July in a Formula Year the Transporters shall provide a copy of the Reconciliation Statement in respect of the Preceding Formula Year to each User.

5.5.4 Where in respect of an LDZ and a Formula Year the Reconciliation Statement [identifies a difference between the [Independent Shrinkage LDZ Quantity] and [the quantity which is the relevant quantity for the purposes of a reconciliation undertaken in accordance with paragraph 3.4.1] a further reconciliation will be undertaken in accordance with the [methodology set out in the []] for the Formula Year].

5.6 Information

5.6.1 Each Transporter and User shall, to the extent provided for in the [IS Annual Statement], cooperate with and provide data to the IS Expert in connection with the preparation of the IS Annual Statement.

5.6.2 []

INDEPENDENT GAS TRANSPORTER ARRANGEMENTS DOCUMENT

SECTION C – IGTS SHRINKAGE

[]

Commented [Dentons32]: To confirm what RS will specify and what intended by "...This will contain rationale for change, and updated ISC, and Yearly and Daily Values ..." words..

Or does the RS set out new values for the Daily IS LDZ Quantity for the FY just ended, and the reconciliation is in respect of the difference between this quantity as was specified in the IS Annual Statement ahead of the FY and as subsequently updated in the RS?

Commented [Dentons33]: I.e. the difference between estimated and assessed LDZ Shrinkage.

Commented [Dentons34]: And to confirm BR10.5 and that where the Authority disapproves the IS Quantities ahead of the FY there is potential for another Condition A11(18) type process - i.e. to confirm what the words '... Authority approval will be needed if the ISC reconciliation values are to prevail' intended to mean.

If the IS Quantities where disapproved of at start of FY by the Authority what is the reconciliation in respect of?

Commented [Dentons35]: BR10 and 11.

Commented [Dentons36]: BR12.

Commented [Dentons37]: BR15: To confirm what the funding proposal is - as funding will be addressed through BCM in the DSC. To be confirmed..

Commented [Dentons38]: Sets out arrangements between DNs and ITGs, and does not include rules applying between IGTS and Shippers.

Commented [Dentons39]: To consider what changes needed once changes to TPD Sections E, H and N better developed.