

Development of Supplemental Report

1.1. Clarification of the current capacity booking arrangements, particularly in relation to:

1.1.1. Procedures & Responsibilities

This synopsis should be read in conjunction with Section G5 and Section J of the UNC

Section G - Supply Point Capacity

The principal underlying the basis for booking capacity at LDZ DM, (Class 1 & Class 2), Supply Meter Points, is that the shipper has the responsibility for registering the appropriated level of capacity at individual supply points.

To increase a capacity booking, using information obtained as the registered user, or as a prospective registered user, the shipper should assess the requirement of the supply point and submit capacity increase request, through UK-Link, to the transporter for authorisation.

The request will either be auto-approved using pre-set parameters in the system, (within 5 business days of the request being submitted) or referred to the network operator for network analysis and subsequent approval or disapproval, (which may take up to 21 business days).

Both in terms of hourly offtake rate and daily capacity, the quantity of gas offtaken during a hour or within day is not [commercially] restricted, although once the daily quantity has been verified on D+1, should the daily quantity exceed the registered capacity the process for dealing with these events is as follows

The full marginal capacity utilised would be subject to a ratchet charge and would automatically be registered to the shipper but the registration would be capped at the Provisional Maximum Supply Point Capacity, (PMSOQ), (which is set at 16 x the hourly offtake rate).

Any element of capacity between the PMSOQ and the full marginal capacity utilised would be subject to additional network analysis, before being allocated / disapproved.

Nothing in the UNC, in terms of daily offtake rates and daily capacity registrations, prevents the network operator from taking action to reduce the rate at which gas is offtaken if, in its opinion, a consumer is prejudicing the safe operation of the network.

Section J - Exit Requirements

Section J establishes that Supply Points, particularly large offtakes or offtakes with complex requirements, may be governed by separate agreements to supplement the standard UNC arrangements. These supplementary arrangements are known as Network Exit Provisions (NEPs) and the separate agreements are known as Network Exit Agreements, (NExAs)

A NExA can be either a bilateral agreement, (between the transporter and customer), or tripartite agreement, (between the transporter, customer & shipper(s)), that contains site specific terms relating to a range of Network Exit Provisions. For the purposes of this proposal, a NExA may contain values pertaining to capacity.

In terms of amending the NEPs in a NExA, the governance arrangements are contained in the provisions of J4.3.6, which requires that the registered user is informed of, and consents to, amendments that come into effect during its period of registration.

Additionally, under Section J5.2, there is a requirement for the transporter to inform a nominating shipper of the existence of a NExA, (although it is not required to pass on specific terms). It is expected that the shipper will use this information to contact the customer and obtain details of the NExA and will be deemed to have knowledge of the Network Exit Provisions should it confirm the nomination.

The key point being made in the proposal is that, in terms of a relationship between the capacity booked through Section G and the capacity arrangements set out in a NExA, there is no UNC rule-based correlation between the two, a situation that the proposal seeks to remedy by capping the Section G capacity bookings at the level set out in the NExA.

Workgroup Comments on these statements:

1.1.3. Timing of events

Set out in Mod or more detail on capacity booking arrangements

1.1.4. Legal arrangements

Clarify Requirement

2. Detail on the deficiencies in the current arrangements – as described in the proposal

The deficiency, according to the proposer, is that while there are informational pathways in place intended to help prevent this type of capacity mismatch occurring, there is no absolute rule to prevent the Section G Capacity Bookings being greater than the Capacity recorded as part of the Network Ext Provisions in the NExA

3. Review of impact on central systems, processes and procedures

Further to discussion at the Workgroup, the view was that in the event a situation occurred where a shipper did book more capacity than was stipulated in the NExA, then since the UNC did not contemplate such a situation arising, the shipper would be entitled to a refund.

The refund would be triggered by the transporter and invoiced as an ad-hoc credit

It is not intended that the system is modified to block a capacity increase to a value which exceeds a corresponding value set-out in a relevant NExA

4. Review and assessment of the Legal Text

Are people happy with the legal text and does it fulfil the requirement of the proposal??