

UNC MODIFICATION 0751 – LEGAL TEXT AND COMMENTARY

A. COMMENTARY

A User is obligated to pay NTS Entry Capacity Charges to National Grid NTS in respect of its Registered NTS Entry Capacity at ASEPs each day. This obligation is set out in TPD Section B. 2.11.1. and shall be "in accordance with paragraph 2.11.2 to 2.11.4".

The Applicable Daily Rate for Quarterly NTS Entry Capacity is established in paragraph TPD Section B.2.11.3 (a).

For Quarterly NTS Entry Capacity, this cross refers to either Section 2 of the NTS Transportation Charging Methodology or the applicable price set out in the relevant Transportation Statement for PARCAs.

In order to make the proposed change for Quarterly NTS Entry Capacity which is applied for in the annual NTS Entry Capacity auctions,¹ it is sufficient therefore to establish the proposed CPI inflation cap within Section 2 of the NTS Transportation Charging Methodology. This is achieved by adding a new paragraph 2.11 which applies a CPI related cap to Applicable Daily Rate for NTS Entry Capacity booked either in the annual auction or via a PARCA after 5 April 2017. However, this will not apply at Interconnection Points ("IPs") due to restrictions which apply to non-price cap regulatory regimes contained in EU Tariff Code Article 25.

In relation to Quarterly NTS Entry Capacity which is applied for, reserved or registered under a PARCA, as the price is set out in the relevant Transportation Statement, the CPI inflation cap would need to be applied in the process of calculating and issuing that Transportation Statement.

Note: The proposed modification refers also to incremental capacity above baseline capacity. As "Incremental NTS Entry Capacity" (as defined in TPD Section B 2.1.5(b)) may be allocated in the annual NTS Entry Capacity auctions or be otherwise reserved under a PARCA, there is no apparent need for special additional provisions specifically for Incremental NTS Entry Capacity – the CPI linked price cap provided for in the legal text would apply to such Incremental NTS Entry Capacity allocated or reserved in these ways.

B. LEGAL TEXT

Uniform Network Code – TPD Section Y Section 2 paragraph 2.1.4

The words "subject to paragraph 2.11" shall be added to TPD Section Y paragraph 2.1.4. after the words "such NTS Capacity shall" such that this paragraph reads as follows:

"2.1.4 In relation to NTS Capacity at a NTS Point for a given Gas Year (the "**capacity year**") which is:

- (a) allocated pursuant to an Auction held in a given Gas Year (the "**auction year**"), except where the Capacity Charge is determined by reference to each User's bid price, or
- (b) (in the case of NTS Entry Capacity) allocated in a given Gas Year (the "**allocation year**") pursuant to a PARCA

the Applicable Daily Rate of the Capacity Charge payable by Users in respect of such NTS Capacity shall, **subject to paragraph 2.11**, be determined as the sum of:

- (c) the Reserve Price determined in respect of the relevant Capacity Allocation Type for the capacity year; and
- (d) the Premium (if any) determined under the Auction held in the auction year or (as the case may be) determined in respect of the PARCA in the allocation year."

¹ See TPD Section B 2.2.

Uniform Network Code – TPD Section Y Section 2

A new paragraph 2.11 shall be added as follows:

"2.11 CPI Linked Price Cap on Quarterly NTS Entry Capacity

2.11.1 Where on or after the Tariff Regulation Effective Date a User;

- (a) applied for Quarterly NTS Entry Capacity pursuant to TPD Section B paragraph 2.2; or
- (b) applied for, reserved or registered Quarterly NTS Entry Capacity under a PARCA pursuant to TPD Section B paragraph 1.4;

then the Applicable Daily Rate of the Capacity Charge payable by such User for such Quarterly NTS Entry Capacity at each NTS Point other than at any Interconnection Point calculated in accordance with this Section 2 and any applicable Transportation Statement shall be capped at the higher of price P_0 or price P calculated in accordance with the following formula:

$$P = P_0 * CPI / CPI_0$$

where

- P is the value of the rate (expressed in pence per kWh to four decimal places) for each such Day;
- P_0 in respect of Quarterly NTS Entry Capacity, the value of the rate expressed in pence per kWh to four decimal places on the Day on which such Quarterly NTS Entry Capacity was
- (i) allocated to such User in the case of Quarterly NTS Entry Capacity applied for by a User pursuant to TPD Section B paragraph 2.2, such rate to be calculated in accordance with this Section 2; or
 - (ii) applied for, reserved or registered under a PARCA pursuant to TPD Section B paragraph 1.4, such rate as set out in the initial Transportation Statement in respect of such capacity.
- CPI is the Consumer Prices Index as published by the Office for National Statistics for the calendar month immediately preceding² the month in which such Day falls;
- CPI_0 is the Consumer Prices Index as published by the Office for National Statistics for the calendar month in which such Quarterly NTS Entry Capacity was
- (i) allocated to such User in the case of Quarterly NTS Entry Capacity applied for by a User pursuant to TPD Section B paragraph 2.2 or
 - (ii) applied for, reserved or registered under a PARCA pursuant to TPD Section B paragraph 1.4, as set out in the initial Transportation Statement in respect of such capacity.

provided always that if the result of such calculation is that P is less than P_0 , then P shall be deemed to be equal to P_0 .

² To be confirmed given the variable publication dates for CPI by the Office of National Statistics (ONS). The ONS might only publish CPI for month M-1 around day 20 (or later) in month M.