

02 : Workgroup Report

0501/0501A/0501B:

Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations, including a restricted capacity return option.

At what stage is this document in the process?



These modification seek to facilitate compliance with Commission Regulation (EU) No 984/2013 (Capacity Allocation Mechanisms) and continued compliance with Annex I to regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks with regards to the Congestion Management Procedures.



The Workgroup recommends that these modifications should be returned to Workgroup for further assessment to allow time for an additional alternative modification to be considered.



High Impact:
Shippers and National Grid NTS



Medium Impact:



Low Impact:

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About this document:		Transporter: National Grid NTS
This modification will be presented to the panel on 20 November 2014.		 Matthew.Hatch@nationalgrid.com
		 01926 655893
		Systems Provider: Xoserve
		 commercial.enquiries@xoserve.com

1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that these modifications are not suitable as self-governance modifications because they are likely to have a material impact on commercial activities connected with the transportation of gas conveyed via the National Transmission System impact on National Grid NTS and Users in respect of NTS Entry Capacity at Bacton.

Why Change?

The text in the Workgroup Report is either **BLACK** where it is applicable to all Modifications or **GREEN** for Modification 0501, **BLUE** where it is applicable to Modification 0501A, **RED** for Modification 0501B

On 14 October 2013 the European Commission adopted rules (EU Regulation 984/2013) establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems (CAM), which seek to harmonize transparent and non-discriminatory access to transmission capacity at applicable interconnection points across the European Union. These rules supplement Regulation (EC) 715/2009 and integrate with Congestion Management Procedures. As a consequence of these, changes to the UNC are required to ensure compliance.

In order to ensure that CAM/CMP procedures are only applied at Interconnection Points (IPs), the existing Bacton ASEP within the GT Licence which National Grid Gas holds in respect of the NTS will need to be split into two new ASEPs (Bacton UKCS ASEP and Bacton IP ASEP)¹. Existing UNC processes would continue to apply at the new Bacton UKCS ASEP and newly developed CAM processes would then apply at the new Bacton IP ASEP.

As long-term bookings have already been allocated for NTS Entry Capacity at the Bacton ASEP for the period after the planned implementation of CAM, the booked capacity will need to be reallocated between the two new ASEPs or **returned (Mod 0501A)**, or **returned in part (Mod 0501B)**, this is to ensure that CAM/CMP procedures are only applicable at the Bacton IP ASEP.

Solution

Modification 0501 introduces a one-off process to enable Users to indicate where they wish their Registered NTS Entry Capacity rights at the existing Bacton ASEP to be held following implementation of CAM. The process will be held after the March 2015 auction for Quarterly NTS Entry Capacity has been allocated, and will only apply to those NTS Entry Capacity rights held by Users at the existing Bacton ASEP from 01 November 2015 onwards.

Users will be invited to indicate for each Month over the period 01 November 2015 to 30 September 2016 and each Quarter from 01 October 2016 to 30 September 2031² (as relevant) where they wish their existing NTS Entry Capacity rights to be held between the newly created Bacton UKCS and Bacton IP ASEPs.

Where the aggregate level of Users' capacity holdings at each new ASEP are less than or equal to the proposed new obligated levels at each of the new ASEPs, their NTS Entry Capacity reallocations will be granted in full. If this is not the case, a further invitation and allocation process will be

¹ Note that this will be the subject of an Ofgem consultation. The process described in this Modification can only be applied once the relevant changes to the GT Licence have been directed (including the setting of the proposed Obligated levels of NTS Entry Capacity to apply at the Bacton UKCS ASEP and the Bacton IP ASEP).

² The invitation will specify months for the initial year of the period as the NTS Entry Capacity could have been bought through either AMSEC or QSEC auctions so different amounts of NTS Entry Capacity could be held for different months. Whereas for the period 1 October 2016 onwards, the capacity could only have been bought in QSEC auctions and so the amounts of NTS Entry Capacity will only vary per quarter.

undertaken. If after two such processes have been followed, the aggregate level of Users' capacity holdings is still in excess of the proposed obligated levels at either of the two new ASEPs, National Grid NTS will re-apportion the holdings such that the obligated levels are not exceeded by the aggregate level of capacity holdings.

National Grid NTS will write to inform Users of the results of the capacity reallocation process by the 30th of September 2015 at the latest.

Modification 0501A introduces a one-off process to enable Users to indicate where they wish their Registered NTS Entry Capacity rights at the existing Bacton ASEP to be held following implementation of CAM. It also provides Users with a one-off opportunity to return capacity to National Grid NTS. The process will be held after the March 2015 auction for Quarterly NTS Entry Capacity has been allocated and will only apply to those NTS Entry Capacity rights held by Users at the existing Bacton ASEP from 01 November 2015 onwards.

For each Month over the period 01 November 2015 to 30 September 2016 and each Quarter from 01 October 2016 to 30 September 2031³ (as relevant), for the Bacton Capacity Return and Initial Reallocation Invitation, Users will be invited to:

- (a) Specify the quantity of their existing NTS entry capacity rights to be returned to National Grid NTS and
- (b) For the remaining existing NTS entry capacity rights (the "Residual Capacity") following any returns made in accordance with sub-paragraph (a), indicate how they wish their Residual Capacity to be allocated between the newly created Bacton UKCS and Bacton IP ASEPs.

Modification 0501B introduces a one-off process to enable Users to indicate where they wish their Registered NTS Entry Capacity rights at the existing Bacton ASEP to be held following implementation of CAM. The process will be held after the March 2015 auction for Quarterly NTS Entry Capacity has been allocated and will only apply to those NTS Entry Capacity rights held by Users at the existing Bacton ASEP from 01 November 2015 onwards.

Users will be invited to indicate for each Month over the period 01 November 2015 to 30 September 2016 and each Quarter from 01 October 2016 to 30 September 2031⁴ (as relevant) where they wish their existing NTS Entry Capacity rights to be held between the newly created Bacton UKCS and Bacton IP ASEPs.

Relevant Objectives

Implementation of Modifications 0501A and 0501B would better facilitate the following relevant objectives:

- 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. and
- c) Efficient discharge of the licensee's obligations.

Implementation of Modifications 0500, 0501A and 0501B would better facilitate the following relevant

³ The invitation will specify months for the initial year of the period as the NTS Entry Capacity could have been bought through either AMSEC or QSEC auctions so different amounts of NTS Entry Capacity could be held for different months. Whereas for the period 1 October 2016 onwards, the capacity could only have been bought in QSEC auctions and so the amounts of NTS Entry Capacity will only vary per quarter.

⁴ The invitation will specify months for the initial year of the period as the NTS Entry Capacity could have been bought through either AMSEC or QSEC auctions so different amounts of NTS Entry Capacity could be held for different months. Whereas for the period 1 October 2016 onwards, the capacity could only have been bought in QSEC auctions and so the amounts of NTS Entry Capacity will only vary per quarter.

objective:

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”.

There are no costs associated with the implementation of these modifications.

Implementation

No implementation timescales are proposed. Please note that the European Commission has specified the Regulation on Capacity Allocation Mechanisms will apply from 01 November 2015.

2 Why Change?

On 14 October 2013 the European Commission adopted rules (EU Regulation 984/2013) establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems (CAM) which seek to harmonize transparent and non-discriminatory access to transmission capacity at applicable interconnection points across the European Union. These rules supplement Regulation (EC) 715/2009 and integrate with Congestion Management Procedures (CMP) and changes to the UNC are required to ensure compliance.

In order to ensure that CAM/CMP procedures are only applied at Interconnection Points (IPs), the existing Bacton ASEP within the GT Licence which National Grid Gas holds in respect of the NTS will need to be split into two new ASEPs (Bacton UKCS ASEP and Bacton IP ASEP). Existing UNC processes would continue to apply at the new Bacton UKCS ASEP and newly developed CAM processes would apply at the new Bacton IP ASEP.

As long-term bookings have already been allocated for NTS Entry Capacity at the Bacton ASEP for the period after the planned implementation of CAM, the booked capacity will need to be either returned to National Grid NTS (Mod 0501A/0501B) and/or will need to be reallocated between the two new ASEPs to ensure that CAM/CMP procedures are only applicable at the Bacton IP ASEP.

A one-off process will be created in the UNC to allow Users to reallocate their existing Registered NTS Entry Capacity rights between the two newly created ASEPs at Bacton (Bacton UKCS and Bacton IP) from 01 November 2015 onwards. **For Mod 0501B, under certain, defined circumstances the Bacton User will be permitted to return Registered NTS Entry Capacity rights if that User's NTS Entry Capacity was reallocated at one of the newly created Bacton ASEPs in excess of the amount requested in response to the Bacton Final Reallocation Invitation.**

The reallocation process will take place once the March 2015 auction for Quarterly NTS Entry Capacity has been allocated and will only apply to Registered NTS Entry Capacity held by Users at the existing Bacton ASEP from 01 November 2015 onwards. The process will be completed by 30th September 2015 and the changes will be effective from 01 November 2015. **For Mod0501B, the process will be completed by 30 September 2015 and the changes would be effective from 01 November 2015.**

Mod 0501A also provides for a User to return capacity to National Grid NTS in the event that an over-subscription at one of the new Bacton ASEPs results in the User being allocated more capacity than it requested at the other of the new Bacton ASEPs. In this event the User can specify that it wants its capacity capped at the requested level(s) in the final reallocation round.

Certain existing processes within the UNC surrounding NTS Entry Capacity **at the existing Bacton ASEP** will need to cease following implementation of this Modification in order to ensure that the split of NTS Entry Capacity between the two newly created ASEPs for the period commencing 01 November 2015 can be carried out. These processes **at the existing Bacton ASEP** are:

- Any new Transfers of NTS Entry Capacity in accordance with TPD B5 which have either a start or end date for the period 01 November 2015 onwards
- Any new Capacity Constraint Management agreements that National Grid NTS may wish to tender for in accordance with TPD B2.8 for the period 01 November 2015 onwards

For clarity NTS Entry Capacity Transfers and Capacity Constraint Management agreements at the existing Bacton ASEP are permitted for the period up to and including 31 October 2015.

In addition to the above there will be no RMTTSEC auction held in October 2015 for NTS Entry Capacity for the month of November 2015 at the existing Bacton ASEP.

Once the **return and** reallocation process has completed, the relevant UNC processes at the Bacton UKCS ASEP and where relevant, the Bacton IP ASEP will be reinstated. Note that the processes and arrangements concerning NTS Interconnection Point Entry Capacity held at the Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation.

3 Solution

Modification 0501

It is proposed that a number of new processes and terms be introduced into the UNC in relation to the process being undertaken regarding NTS Entry Capacity currently held by Users at the Bacton ASEP:

1 New Terms⁵

1. **"Adjacent Transporter"** means the operator of a transmission system connected to (or designated as connected to) the National Transmission System at an Interconnection Point
2. **"Bacton ASEP"** is the Aggregate System Entry Point currently referenced within National Grid NTS' Transporter's Licence as the Bacton NTS Entry Point;
3. **"Bacton IP ASEP"** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated as NTS Interconnection Point Entry Capacity to facilitate the implementation of the EU CAM Code and ;
4. **"Bacton UKCS ASEP"** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated to facilitate the implementation of the EU CAM Code;
5. **"Bacton User"** means a User who holds Relevant Registered NTS Entry Capacity at the Bacton ASEP on the relevant date for any period following 1 November 2015;
6. **"Bacton Capacity Final Reallocation Invitation"** means a second (and final) invitation made to surrender existing NTS Entry Capacity rights at the existing Bacton ASEP to be reallocated as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. This invitation is only triggered if the Bacton Capacity Initial Reallocation Invitation does not completely reallocate all the NTS Entry Capacity rights at the existing Bacton ASEP
7. **"Bacton Capacity Initial Reallocation Invitation"** means an initial invitation made to surrender existing NTS Entry Capacity rights at the existing Bacton ASEP to be reallocated as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP
8. **"Bacton Capacity Reallocation Process"** means the process by which National Grid NTS reallocates existing NTS Entry Capacity rights at the existing Bacton ASEP as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP
9. **"Final Capacity Reallocation"** means the result of the second (and final) application of the Bacton Capacity Reallocation Process
10. **"Initial Capacity Reallocation"** means the result of the first application of the Bacton Capacity Reallocation Process
11. **"NTS Interconnection Point Entry Capacity"** means NTS Entry Capacity at an Interconnection Point.
12. **"Unbundled NTS Interconnection Point Entry Capacity"** means NTS Interconnector Entry Capacity at an Interconnection Point which has been auctioned separately at that Interconnection Point, from capacity rights provided by any Adjacent Transporter.

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⁵ These terms are included within the modification proposal to assist the reader. The eventual legal drafting may result in different terms and definitions being introduced into the UNC. Note existing definition for an Interconnection Point within TPD A1.8 is being retained.

2 High level view of the reallocation process

1. Users are invited to indicate where they wish their existing Registered NTS Entry Capacity rights at the existing Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs. For the avoidance of doubt, a User can indicate that they require all their existing Registered NTS Entry Capacity rights at the existing Bacton ASEP for any relevant period to be allocated to only one of the two new ASEPs (i.e. that they require zero at the other new ASEP for that period).
2. Bacton Users that are also Transferor Users will be invited to indicate where they wish their existing NTS Capacity Transfers at the Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs.
3. NTS Entry Capacity rights at the Bacton ASEP will be reallocated (by National Grid NTS on behalf of the User) at the new ASEPs at Bacton.
4. NTS Entry Capacity Transfers at the Bacton ASEP will be reallocated (by National Grid NTS on behalf of the Transferor User and Transferee User) at the new ASEPs at Bacton as requested by the relevant Transferor User.
5. At the new Bacton IP ASEP, Users will be registered as holding NTS Interconnection Point Entry Capacity. Some existing UNC rules and processes as appropriate will apply to this type of NTS Entry Capacity but note that certain processes and arrangements concerning NTS Interconnection Point Entry Capacity held at the Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation under Modification 500.
6. At the Bacton UKCS ASEP, Users will be registered as holding NTS Entry Capacity and all the existing UNC rules and processes will continue to apply to this NTS Entry Capacity.
7. National Grid NTS will only reallocate the NTS Entry Capacity/NTS Interconnection Point Entry Capacity in full where it is less than or equal to the Obligated level for that ASEP for the relevant Month/Quarter.
8. NTS Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton UKCS ASEP at a weighted average price. The application of the volume weighted average price of that User's NTS Entry Capacity over all the auctions during which they previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP, effectively means Users will be liable for the same charges (for both the two new ASEPs) in total as they currently are at the existing Bacton ASEP.
9. Similarly, NTS Interconnection Point Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton IP ASEP at a weighted average price. The application of the volume weighted average price of that User's NTS Entry Capacity over all the auctions during which they previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP, effectively means Users will be liable for the same charges (for both the two new ASEPs) in total as they currently are at the existing Bacton ASEP.
10. National Grid NTS will only reallocate Transfers where the Transferor has Registered NTS Entry Capacity that is equal to or greater than the transferred quantity and where the Transfer is for a calendar month(s) or calendar quarter(s)

3 The Bacton Capacity Reallocation process

1. This process will begin after the March 2015 auction in respect of Quarterly NTS Entry Capacity is allocated and is anticipated to be completed by 30th September 2015 to be effective for NTS Entry Capacity held on and from 01 November 2015. An indicative timeline for the process is shown below:

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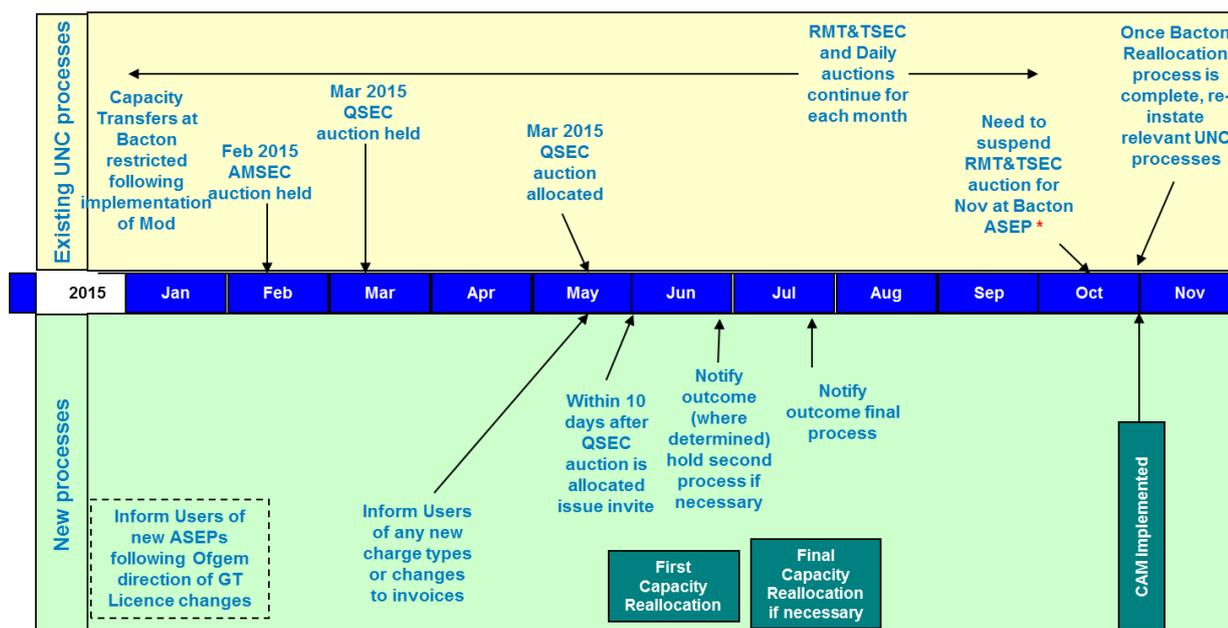
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Timeline for Bacton Reallocation process



* The day ahead auction for Bacton UKCS and Bacton IP will commence on the 31st October 2015

2. National Grid NTS will invite all Users who currently hold Registered NTS Entry Capacity at the Bacton ASEP from 01 November 2015 onwards to reallocate their Registered NTS Entry Capacity at the Bacton ASEP for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards⁶ to the new Bacton UKCS ASEP and/or Bacton IP ASEP. For the avoidance of doubt, the definition of Registered NTS Entry Capacity within UNC TPD B5 will be applied throughout this Modification.
3. National Grid NTS will invite all Bacton Users that have existing NTS Entry Capacity Transfers at the Bacton ASEP from 01 November 2015 onwards to reallocate their NTS Entry Capacity Transfers at the Bacton ASEP for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards to the new Bacton UKCS ASEP and/or Bacton IP ASEP.
4. Within Ten Business Days following the allocation of the March 2015 auction in respect of Quarterly NTS Entry Capacity, National Grid NTS will invite (the Bacton Capacity Initial Reallocation Invitation) all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP and all Bacton Users that have NTS Entry Capacity Transfers from 01 November 2015 onwards to indicate what quantity of their Registered NTS Entry Capacity and NTS Entry Capacity Transfers they want to be held in future at the Bacton UKCS ASEP and/or the Bacton IP ASEP. Note that Users will be allocated NTS Entry Capacity at the Bacton UKCS ASEP and NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. As NTS Interconnection Point Entry Capacity is a type of NTS Entry Capacity, we use the term NTS Entry Capacity in the following paragraphs to mean both.
5. The Bacton Capacity Initial Reallocation Invitation will state, specific to each Registered Capacity holder:
 - a. The Initial Period (Months from 01 November 2015 to 30 September 2016 and Quarters from 01 October 2016 to 30 September 2031) for

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⁶ The invitation will specify months for the initial year of the period as the NTS Entry Capacity could have been bought through either AMSEC or QSEC auctions so different amounts of NTS Entry Capacity could be held for different months. Whereas for the period 1 October 2016 onwards, the capacity could only have been bought in QSEC auctions and so the amounts of NTS Entry Capacity will only vary per quarter.

- which reallocations of NTS Entry Capacity and NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being sought
- b. The existing Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days of invite and means (which shall be via facsimile) by which Users can signal their required reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent, (For each Business Day Users can submit their requests between 08:00am and 17:00pm)
 - g. That a User cannot request reallocation of a quantity less than or greater than their Registered NTS Entry Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Registered NTS Entry Capacity at the Bacton ASEP
 - i. The User to provide a quantity by ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. The date by which National Grid NTS will provide back to Users the result of the Initial Capacity Reallocation.
6. If a Bacton User does not respond to the Bacton Capacity Initial Reallocation Invitation by the date indicated, National Grid NTS will assume that the Bacton User wants to reallocate its Registered NTS Entry Capacity for each of the relevant Months or Quarters of the Initial Period for which that User holds Registered NTS Entry Capacity between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
7. Where a Transferor User does not respond to the Bacton Capacity Initial Reallocation Invitation by the date indicated, National Grid NTS, on behalf of the Users involved (the Transferor and Transferee Users of the relevant Transfer), will recreate the NTS Entry Capacity Transfer using the same proportions as the Transferor's split of their primary holdings at the current Bacton ASEP between the Bacton UKCS ASEP and the Bacton IP ASEP.

8. Within five Business Days after the date by which Bacton Users need to respond to the Bacton Capacity Initial Reallocation Invitation, National Grid NTS will undertake the Initial Capacity Reallocation and notify each relevant User by facsimile of the outcome.
9. The process that National Grid NTS will utilise for the Initial Capacity Reallocation is as follows:
 - a. National Grid NTS will calculate the aggregate level of NTS Entry Capacity rights requested by Users for each Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP
 - b. Provided that the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level of NTS Entry Capacity at each of the Bacton UKCS ASEP and the Bacton IP ASEP for a given Month/Quarter, National Grid NTS will
 - i. dependent on 5g above allocate that NTS Entry Capacity in accordance with the User's individual requests; and
 - ii. dependent upon 5h above recreate the NTS Capacity Transfer in accordance with the Transferor Users requests
 - c. If in any Month/Quarter and at either ASEP, the aggregate level of NTS Entry Capacity rights is above the relevant Obligated level of NTS Entry Capacity, National Grid NTS will not allocate any NTS Entry Capacity rights or recreate NTS Entry Capacity Transfers to Users for that Month or Quarter (but will allocate for the other Months or Quarters)
 - d. National Grid will write to relevant Users to inform the results of the Initial Capacity Reallocation which will show the aggregate and the User's individual reallocations of NTS Entry Capacity for each of the two new ASEPs in the form detailing the:
 - i. Relevant Months or Quarters
 - ii. ASEP
 - iii. Quantity in kWh/day allocated
 - iv. Transferred quantity for the Transferor User/Transferee User
 - e. National Grid will also inform relevant Users of any Months or Quarters which are not reallocated as the aggregate level of NTS Entry Capacity rights requested was above the relevant Obligated level of NTS Entry Capacity at either new ASEP and therefore that a second invitation (the Bacton Capacity Final Reallocation Invitation) will be issued.
10. If the Initial Capacity Reallocation does not fully reallocate all existing NTS Entry Capacity for all Months/Quarters to the two new ASEPs, National Grid NTS will within five Business Days, of notifying outcome, issue a Bacton Capacity Final Reallocation Invitation to all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP for the particular Months/Quarters affected to re-indicate where they would wish their Registered NTS Entry Capacity and, where applicable, NTS Entry Capacity Transfer(s) to be held in future; either at the Bacton UKCS ASEP or the Bacton IP ASEP.
11. The Bacton Capacity Final Reallocation Invitation will state:
 - a. The relevant Months/Quarters within the Initial Period for which reallocations of NTS Entry Capacity and NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being re-sought, together with the aggregate quantity of NTS Entry Capacity which was requested for the relevant Months/Quarters during the Initial Capacity Reallocation. Note that this will only be for periods where no reallocation took place following the Initial Capacity

requested was above the relevant Obligated level of NTS Entry Capacity at either new ASEP.

- b. The existing Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days and means (which shall be via facsimile) by which Users can signal their required reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent, (For each Business Day Users can submit their requests between 08:00am and 17:00pm)
 - g. That a User cannot request reallocation of a quantity less than or greater than their Registered NTS Entry Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Registered NTS Entry Capacity at the Bacton ASEP
 - i. The User to provide a quantity by ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. The date by which National Grid NTS will provide back to Users the result of the Final Capacity Reallocation.
12. If a User does not respond to the Bacton Capacity Final Reallocation Invitation by the date indicated, National Grid NTS will:
- a. reallocate the Users Registered NTS Entry Capacity for each of the relevant Months or Quarters for which that User holds Registered NTS Entry Capacity within the Initial Period between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
 - b. recreate the NTS Entry Capacity Transfer(s) using the same proportions as the Transferor User's split of their primary holdings at the current Bacton ASEP between the Bacton UKCS ASEP and the Bacton IP ASEP
13. Within five business days after the date by which Users needed to respond to the Bacton Capacity Final Reallocation Invitation, National Grid NTS will undertake the Final Capacity Reallocation and notify Users of the outcome.
14. The process National Grid NTS will utilise for the Final Capacity Reallocation is as follows:
- a. National Grid will calculate the aggregate level of NTS Entry Capacity rights requested by Users for each relevant Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP
 - b. Provided that the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level at each of the Bacton UKCS ASEP and the Bacton IP ASEP for the particular Month/Quarter,

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National Grid NTS will allocate that NTS Entry Capacity in accordance with the User's individual requests

- c. Provided that the aggregate level of NTS Entry Capacity rights requested is below the Obligated level at each of the Bacton UKCS ASEP and the Bacton IP ASEP for the particular Month/Quarter, National Grid will recreate NTS Entry Capacity Transfers in accordance with the relevant Transferor Users requests as appropriate.
 - d. If in any Month/Quarter and at either ASEP, the aggregate level of NTS Entry Capacity rights requested is above the relevant Obligated level of NTS Entry Capacity, National Grid NTS will allocate the relevant NTS Entry Capacity for that Month/ASEP or Quarter/ASEP combination pro rata to the aggregate amount applied for by all Users. The Users' remaining NTS Entry Capacity after the proration has taken place will be allocated to the other new Bacton ASEP (Bacton UKCS or Bacton IP as relevant) In the event that, as a consequence of proration at one of the new Bacton ASEPs, there is insufficient Registered Capacity reallocated to the prorated new Bacton ASEP to fully meet a quantity requested under paragraph c above, then the Transfer quantity requested will be prorated in the same proportions as the User's split of their primary holdings.
 - e. National Grid will write to each relevant User(s) to inform them of the results of the Final Capacity Reallocation which will include both the aggregate and the User's individual reallocations of NTS Entry Capacity for each of the two new ASEPs in the form detailing the:
 - i. Relevant Months or Quarters
 - ii. ASEP
 - iii. Quantity in kWh/day
 - iv. Transferred quantity for the Transferor User/Transferee User
15. Following the completion of the Initial Capacity Reallocation and where relevant the Final Capacity Reallocation, National Grid will undertake the reallocation of the NTS Entry Capacity and where appropriate NTS Entry Capacity Transfers on the Users behalf. This will not require the Users to undertake any actions on National Grid NTS' systems.
16. National Grid NTS will:
- a. set the relevant User's Registered NTS Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton UKCS ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter and
 - b. set the relevant User's Registered NTS Interconnection Point Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton IP ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter⁷.
17. National Grid NTS will update its computer system(s) with the above details within ten Business Days of writing to Users to inform them of their NTS Entry Capacity reallocations.

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⁷ The NTS Interconnection Point Entry Capacity will be flagged as Unbundled NTS Interconnection Point Entry Capacity in Gemini and will be deemed to be in monthly strips for the period 1 November 2015 to 30 September 2016 and in quarterly strips for the periods beyond 1 October 2016.

18. National Grid NTS will then publish the aggregate results of the Bacton Capacity Reallocation Process to all Users.
19. Following the completion of the Bacton Capacity Reallocation Process, Users will be liable to pay NTS Entry Capacity Charges for the period from 1 November 2015 for the reallocated NTS Entry Capacity rights at the Bacton UKCS ASEP and/or Bacton IP ASEP as appropriate⁸. These NTS Entry Capacity Charges will be invoiced in accordance with the existing provisions of the UNC.

4 Implications of running the Bacton Capacity Reallocation process

1. Completion of the Bacton Capacity Reallocation Process will have implications for a number of UNC processes at the Bacton ASEP, Bacton UKCS ASEP and the Bacton IP ASEP.
2. **At the Bacton ASEP;**
 - From the implementation date of the Modification Proposal new Transfers of NTS Entry Capacity (in accordance with TPD B5) which have either a start or end date of the 01 November 2015 or later will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date prior to the 31 October and an end date no later than 31 October 2015 may be permitted
 - From the implementation date of the Modification Proposal National Grid will not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period 01 November 2015 onwards
 - For clarification NTS Entry Capacity Constraint Management Agreements are permitted for the period up to and including 31 October 2015
 - The September 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for October 2015) will be the final RMTTSEC at the Bacton ASEP
 - Daily NTS Entry Capacity (Firm and Interruptible) auctions will be applicable up to and including Gas Day 31 October 2015 and cease thereafter
3. **At the Bacton UKCS ASEP** from completion of the Final Reallocation Process;
 - New Transfers of NTS Entry Capacity (in accordance with TPD B5) which have a start date prior to the 01 November 2015 will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date on or after 1 November 2015 may be permitted
 - National Grid may not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period prior to 1 November 2015 but may tender for a period commencing on or after 1 November 2015
 - The November 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for December 2015) will be the first RMTTSEC in which the Bacton UKCS ASEP will be included
 - Gas Day 1 November 2015 will be the first Day for which Daily NTS Entry Capacity (Firm and Interruptible) auctions are effective. Users will be able to submit Bids seven days prior to the 1 November (D-7)
4. The availability and booking of NTS Interconnection Point Entry Capacity at Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation under UNC Modification 0500, until such time as the relevant NTS

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⁸ Note that the current assumption is that the existing bids for NTS Entry Capacity at the Bacton ASEP will remain in Gemini and so Users will still receive an invoice for these, but Users will also receive a credit for this NTS Entry Capacity, such that the two transactions will net off to zero.

Interconnection Point Entry Capacity processes have been implemented there will be no facilities for:

- NTS Interconnection Point Entry Capacity auctions
 - NTS Interconnection Point Entry Capacity Transfers
5. NTS Entry Capacity Charges (covering NTS Entry Capacity or NTS Interconnection Point Entry Capacity as appropriate), NTS Entry Commodity Charges and Capacity Surrender Charges will apply as per TPD B2.11 (and TPD Section Y).
 6. Users will retain the same total NTS Registered Capacity at the two new ASEPs as at the existing Bacton ASEP therefore relevant NTS Entry Commodity Charges as per TPD Section Y are not impacted.
 7. Overrun charges will continue to apply at the two new ASEPs as per TPD B2.12.
 8. Capacity Neutrality arrangements will continue to apply as per TPD B2.13.
 9. The arrangements regarding the operation of the NTS Optional Commodity Rate will continue to apply as per TPD B3.12, but Users will need to make a Supply Point Commodity Rate Renomination for the new ASEPs in accordance with TPD G2.3.
 10. Entry arrangements at the two new ASEPs will apply as per TPD Section I.
 11. TBE publication data in accordance with TPD Section O will now cover the two new ASEPs at Bacton.
 12. Invoicing and payment to cover the two new ASEPs will continue to apply as per TPD Section S.
 13. Credit arrangements/termination will continue to apply as per TPD Section V.

Modification 0501A

It is proposed that a number of new processes and terms be introduced into the UNC in relation to the process being undertaken regarding NTS Entry Capacity currently held by Users at the Bacton ASEP:

1 New Terms⁹

1. **“Adjacent Transporter”** means the operator of a transmission system connected to (or designated as connected to) the National Transmission System at an Interconnection Point
2. **"Bacton ASEP"** is the Aggregate System Entry Point currently referenced within National Grid NTS' Transporter's Licence as the Bacton NTS Entry Point;
3. **"Bacton IP ASEP"** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated as NTS Interconnection Point Entry Capacity to facilitate the implementation of the EU CAM Code and;
4. **"Bacton UKCS ASEP"** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated to facilitate the implementation of the EU CAM Code;

⁹ These terms are included within the modification proposal to assist the reader. The eventual legal drafting may result in different terms and definitions being introduced into the UNC.

Note existing definition for an Interconnection Point within TPD A1.8 is being retained.

5. **"Bacton User"** means a User who holds Relevant Registered NTS Entry Capacity at the Bacton ASEP on the relevant date for any period following 1 November 2015;
6. **"Bacton Capacity Final Reallocation Invitation"** means a second (and final) invitation made to surrender Residual Capacity rights at the existing Bacton ASEP to be reallocated as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. This invitation is only triggered if the Bacton Capacity Return and Initial Reallocation Invitation does not completely reallocate all of the Residual Capacity rights at the existing Bacton ASEP.
7. **"Bacton Capacity Return and Initial Reallocation Invitation"** means an invitation to return NTS Entry Capacity rights at the existing Bacton ASEP to National Grid NTS (and for the allocation and/or registration of these rights to relevant Users to be cancelled) and to reallocate the Residual Capacity as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP
8. **"Bacton Capacity Return and Reallocation Process"** means the process by which (a) Users can return NTS Entry Capacity Rights to National Grid NTS (and which rights, and obligations pertaining to those rights, are therefore cancelled by National Grid NTS), (b) National Grid NTS reallocates the Residual Capacity at the existing Bacton ASEP as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP and (c) Users have a final opportunity to return capacity to National Grid NTS in circumstances where their allocation of capacity at a new Bacton ASEP exceeds the level they requested
9. **"Final Capacity Reallocation"** means the result of the second (and final) application of the Bacton Capacity Return and Reallocation Process in respect of Residual Capacity
10. **"Initial Capacity Reallocation"** means the result of the first application of the Bacton Capacity Return and Reallocation Process
11. **"NTS Interconnection Point Entry Capacity"** means NTS Entry Capacity at an Interconnection Point.
12. **"Residual Capacity"** means a User's remaining NTS Entry Capacity rights following the User's return of existing Capacity rights under the Bacton Capacity Return and Initial Reallocation Invitation.
13. **"Unbundled NTS Interconnection Point Entry Capacity"** means NTS Interconnection Point Entry Capacity at an Interconnection Point which has been auctioned separately at that Interconnection Point, from capacity rights provided by any Adjacent Transporter.

2 High level view of the reallocation process

1. Users are invited to specify the quantity of their existing Registered NTS Entry Capacity rights that they want to return to National Grid NTS and to indicate where they wish their remaining existing Registered NTS Entry Capacity rights (Residual Capacity) at the existing Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs. For the avoidance of doubt, a User can indicate that they require all of their Residual Capacity at the existing Bacton ASEP for any relevant period to be allocated to only one of the two new ASEPs (i.e. that they require zero at the other new ASEP for that period).
2. Where Capacity is returned by a User to National Grid NTS, the User will be relieved of any transportation charges that would otherwise pertain to it. The returned capacity will therefore be available to National Grid NTS to offer it for sale in subsequent capacity auctions at the applicable new Bacton ASEPs.

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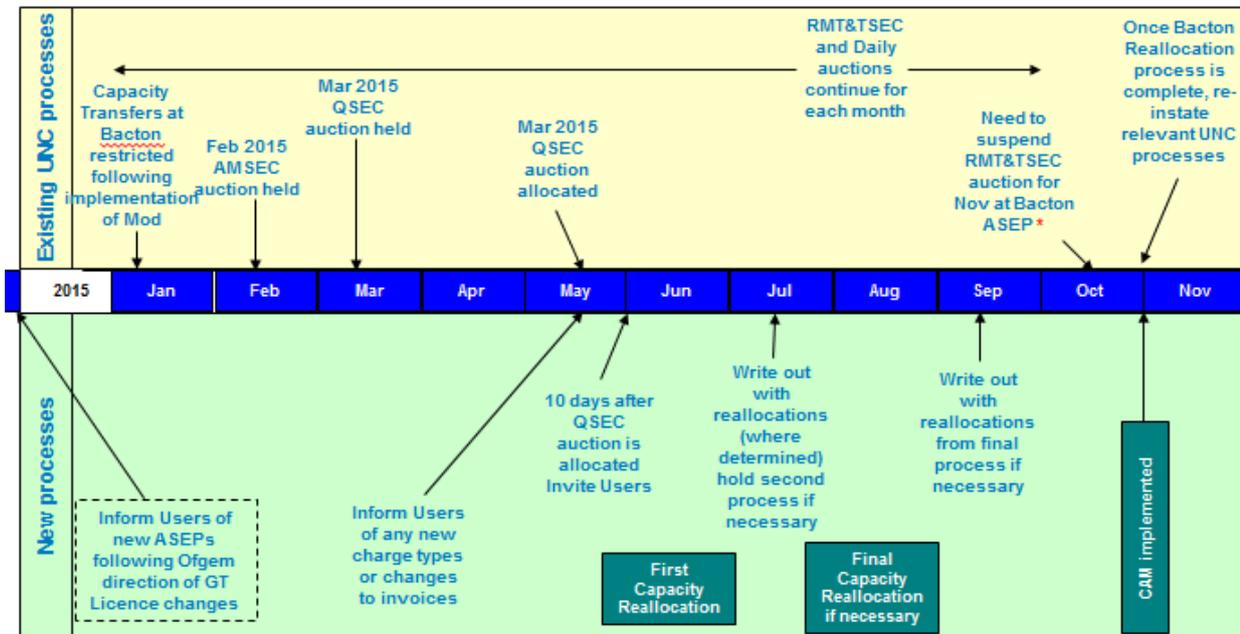
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3. Bacton Users that are also Transferor Users will be invited to indicate where they wish their existing NTS Capacity Transfers at the existing Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs.
4. Residual Capacity rights at the Bacton ASEP will be reallocated (by National Grid NTS on behalf of the User) at the new ASEPs at Bacton.
5. NTS Capacity Transfers at the existing Bacton ASEP will be reallocated (by National Grid NTS on behalf of the Transferor User and Transferee User) at the new ASEPs at Bacton as requested by the relevant Transferor User.
6. At the new Bacton IP ASEP, Users will be registered as holding NTS Interconnection Point Entry Capacity. Some existing UNC rules and processes as appropriate will apply to this type of NTS Entry Capacity but note that certain processes and arrangements concerning NTS Interconnection Point Entry Capacity held at the Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation.
7. At the Bacton UKCS ASEP, Users will be registered as holding NTS Entry Capacity and all the existing UNC rules and processes will continue to apply to this NTS Entry Capacity.
8. National Grid NTS will only reallocate the NTS Entry Capacity/NTS Interconnection Point Entry Capacity in full where it is less than or equal to the Obligated level for that ASEP for the relevant Month/Quarter.
9. NTS Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton UKCS ASEP at a weighted average price; that is, the volume weighted average price of that User's NTS Entry Capacity, over all the auctions during which they previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP. The weighted average price will directly feed into the overrun calculation for the new Bacton UKCS ASEP.
10. Similarly, NTS Interconnection Point Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton IP ASEP at a weighted average price; that is, the volume weighted average price of that User's NTS Entry Capacity, over all the auctions during which they previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP. The weighted average price will directly feed into the overrun calculation for the new Bacton IP ASEP.
11. In respect of any relevant month or quarter, Bacton Users (and, in respect of relevant NTS Entry Capacity Transfers, Transferor Users) should ensure that the quantities they specify under the above processes are entirely consistent with their existing Registered NTS Entry Capacity (subject to any return of capacity) and are consistent with allocating existing Bacton ASEP NTS Entry Capacity Transfers to the new Bacton ASEPs. In particular, a Bacton User must ensure that the quantities it specifies under paragraph 1 above are sufficient to meet in full its intention for the quantities it specifies under paragraph 3 above. In the event that a User specifies quantities that are not consistent with these conditions, National Grid NTS will, for the relevant month or quarter, reject the User's request and invoke a default reallocation on the User's behalf.
12. The default reallocation will, for the relevant month or quarter, reallocate existing Registered NTS Entry Capacity between the new Bacton ASEPs in proportion to the obligated levels (or baselines) of the new Bacton ASEPs. Relevant NTS Entry Capacity Transfers will be apportioned between the two new Bacton ASEPs in the same way.

1. This process will begin after the March 2015 auction in respect of Quarterly NTS Entry Capacity is allocated and is anticipated to be completed by 30th September 2015 to be effective for NTS Entry Capacity held on and from 01 November 2015. An indicative timeline for the reallocation process is shown below (the return process will run concurrently with the reallocation process):

Timeline for Bacton Reallocation process



The day-ahead auctions for Bacton UKCS and Bacton IP will commence on 31st October 2015.

2. National Grid NTS will invite all Bacton Users who currently hold Registered NTS Entry Capacity at the Bacton ASEP from 01 November 2015 onwards to (a) return to National Grid NTS some (which might be zero) or all of their Registered NTS Entry Capacity at the Bacton ASEP and (b) reallocate their Residual Capacity for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards¹⁰ to the new Bacton UKCS ASEP or Bacton IP ASEP. For the avoidance of doubt, the definition of Registered NTS Entry Capacity within UNC TPD B5 will be applied throughout this Modification.
3. National Grid NTS will invite all relevant Transferor Users who have existing NTS Entry Capacity Transfers at the Bacton ASEP from 01 November 2015 onwards to reallocate their NTS Entry Capacity Transfers at the Bacton ASEP for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards to the new Bacton UKCS ASEP and/or Bacton IP ASEP.
4. Within Ten Business Days following the allocation of the March 2015 auction in respect of Quarterly NTS Entry Capacity, National Grid NTS will invite (the Bacton Capacity Return and Initial Reallocation Invitation) all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP and all Bacton Users that are Transferor Users who hold NTS Entry Capacity Transfers from 01 November 2015 onwards to indicate

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¹⁰ The invitation will specify months for the initial year of the period as the NTS Entry Capacity could have been bought through either AMSEC or QSEC auctions so different amounts of NTS Entry Capacity could be held for different months. Whereas for the period 1 October 2016 onwards, the capacity could only have been bought in QSEC auctions and so the amounts of NTS Entry Capacity will only vary per quarter.

what quantity of their Registered NTS Entry Capacity they want to be returned to National Grid NTS and what quantity of the Residual Capacity and NTS Entry Capacity Transfers they want be held in future at the Bacton UKCS ASEP and/or the Bacton IP ASEP. Note that Users will be allocated NTS Entry Capacity at the Bacton UKCS ASEP and NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. As NTS Interconnection Point Entry Capacity is a type of NTS Entry Capacity, we use the term NTS Entry Capacity in the following paragraphs to mean both.

5. The Bacton Capacity Return and Initial Reallocation Invitation will, specific to each Registered Capacity holder, state:
 - a. The Initial Period (Months from 01 November 2015 to 30 September 2016 and Quarters from 01 October 2016 to 30 September 2031) for which (a) returns and reallocations of NTS Entry Capacity and (b) reallocations of NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being sought
 - b. The existing Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP
 - d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days of invite and means (which shall be by facsimile) by which Users can signal their required return and reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent. For each Business Day Users can submit their requests between 08:00am and 17:00pm
 - g. That a User cannot request reallocation of a quantity less than or greater than their Residual Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Residual Capacity at the Bacton ASEP
 - i. The User to provide a quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. The date by which National Grid NTS will provide back to Users the result of the Initial Capacity Reallocation.
6. If a Bacton User does not respond to the Bacton Capacity Return and Initial Reallocation Invitation by the date indicated, National Grid NTS will assume that the Bacton User wants to reallocate its Registered NTS Entry Capacity for each of the relevant Months or Quarters of the Initial Period for which that User holds Registered NTS Entry Capacity between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
7. If a Transferor User does not respond to the Bacton Capacity Return and Initial Reallocation invitation by the date indicated, National Grid NTS, on

relevant Transfer), will recreate the NTS Entry Capacity Transfer using the same proportions as the Transferor's split of their Residual Capacity between the Bacton UKCS ASEP and the Bacton IP ASEP.

8. Within five Business Days after the date by which Bacton Users need to respond to the Bacton Capacity Return and Initial Reallocation Invitation, National Grid NTS will undertake the Initial Capacity Reallocation and notify each relevant User by facsimile of the outcome. This will include a statement of the quantities of capacity returned to National Grid NTS and confirmation that the allocation and/or registration of the returned capacity quantities will be cancelled.
9. The process that National Grid NTS will utilise for the Initial Capacity Reallocation is as follows:
 - a. National Grid NTS will calculate the aggregate level of NTS Entry Capacity rights requested by Users for each Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP
 - b. Provided that the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level of NTS Entry Capacity at each of the Bacton UKCS ASEP and the Bacton IP ASEP for a given Month/Quarter, National Grid NTS will
 - i. allocate that NTS Entry Capacity in accordance with the User's individual requests; and
 - ii. dependent upon 5 above, recreate the NTS Capacity Transfer in accordance with the Transferor User's requests
 - c. If in any Month/Quarter and at either ASEP, the aggregate level of NTS Entry Capacity rights is above the relevant Obligated level of NTS Entry Capacity, National Grid NTS will not allocate any NTS Entry Capacity rights, or recreate NTS Entry Capacity Transfers, to Users for that Month or Quarter (but will allocate for the other Months or Quarters)
 - d. National Grid will write to relevant Users to inform the results of the Initial Capacity Reallocation which will show the aggregate and the User's individual reallocations of NTS Entry Capacity for each of the two new ASEPs detailing the:
 - i. Relevant Months or Quarters
 - ii. ASEP
 - iii. Quantity in kWh/day allocated
 - iv. Transferred quantity for the Transferor User/Transferee User
 - e. National Grid will also inform relevant Users of any Months or Quarters which are not reallocated as the aggregate level of NTS Entry Capacity rights requested was above the relevant Obligated level of NTS Entry Capacity at either new ASEP and therefore that a second invitation (the Bacton Capacity Final Reallocation Invitation) will be issued.
10. If the Initial Capacity Reallocation does not fully reallocate all Residual Capacity for all Months/Quarters to the two new ASEPs, National Grid NTS will within five Business Days issue a Bacton Capacity Final Reallocation Invitation to all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP for the particular Months/Quarters affected to re-indicate where they would wish their Residual Capacity and, where applicable, NTS Entry Capacity Transfer(s) to be held in future; either at the Bacton UKCS ASEP or the Bacton IP ASEP.
11. The Bacton Capacity Final Reallocation Invitation will state:
 - a. The relevant Months/Quarters within the Initial Period for which reallocations of Residual Capacity and NTS Entry Capacity Transfers

at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being re-sought, together with the aggregate quantity of Residual Capacity which was requested for the relevant Months/Quarters during the Initial Capacity Reallocation. Note that this will only be for periods where no reallocation took place following the Initial Capacity Reallocation as the aggregate level of NTS Entry Capacity rights requested was above the relevant Obligated level of NTS Entry Capacity at either new ASEP.

- b. The Residual Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters in the Initial Period
 - d. The existing weighted average price of that User's Residual Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days and means (which shall be by facsimile) by which Users can signal their required reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent. For each Business Day Users can submit their requests between 08:00am and 17:00pm
 - g. That a User cannot request reallocation of a quantity less than or greater than their Residual Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Residual Capacity at the Bacton ASEP
 - i. The User to provide a quantity by ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. That, in the event of a User being allocated capacity in excess of the quantity it requests at either the Bacton UKCS or Bacton IP ASEP, the User can specify beforehand that the allocation be capped at the requested level and the excess capacity be returned to National Grid NTS.
 - l. The date by which National Grid NTS will provide back to Users the result of the Final Capacity Reallocation.
12. If a User does not respond to the Bacton Capacity Final Reallocation Invitation by the date indicated, National Grid NTS will
- a. reallocate the User's Residual Capacity for each of the relevant Months or Quarters for which that User holds Residual Capacity within the Initial Period between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
 - b. recreate the NTS Capacity Transfer using the same proportions as the Transferor User's split of their Residual Capacity at the current Bacton ASEP between the Bacton UKCS ASEP and the Bacton IP ASEP.
13. Within five business days after the date by which Users needed to respond to the Bacton Capacity Final Reallocation Invitation, National Grid NTS will undertake the Final Capacity Reallocation and notify Users of the outcome.

This will include a statement of the quantities of capacity returned to National Grid NTS as a consequence of the capping option and confirmation that the allocation and/or registration of the returned capacity quantities will be cancelled.

14. The process National Grid NTS will utilise for the Final Capacity Reallocation is as follows:
- a. National Grid will calculate the aggregate level of Residual Capacity rights requested by Users for each relevant Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP
 - b. Provided that the aggregate level of Residual Capacity rights requested is below the relevant Obligated level at each of the Bacton UKCS ASEP and the Bacton IP ASEP for the particular Month/Quarter, National Grid NTS will allocate that Residual Capacity in accordance with the User's individual requests
 - c. National Grid NTS will recreate NTS Entry Capacity Transfers at the new Bacton ASEPs for the relevant Transferor Users in accordance with Transferor Users' requests
 - d. If in any Month/Quarter and at either ASEP, the aggregate level of Residual Capacity rights requested is above the relevant Obligated level of NTS Entry Capacity, National Grid NTS will allocate the relevant Residual Capacity for that Month/ASEP or Quarter/ASEP combination pro rata to the aggregate amount applied for by all Users. Subject to sub-paragraph e below, the Users' remaining Residual Capacity after the proration has taken place will be allocated to the other new Bacton ASEP (Bacton UKCS or Bacton IP as relevant).

Where a User has made a request under paragraph c above, NTS Entry Capacity Transfers will be recreated to the fullest extent possible at the specified new Bacton ASEPs following any proration of the Residual Capacity at one of the new Bacton ASEPs, i.e. Entry Capacity Transfers will not be subject to proration.

Therefore, in the event that, as a consequence of proration at one of the new Bacton ASEPs, there is insufficient Residual Capacity reallocated to the prorated new Bacton ASEP to fully meet a quantity requested under paragraph c above, then

- (i) the quantity requested by the Transferor for each Transfer will be deemed to be reduced proportionately so that the sum of the reduced quantities is equal to the prorated Residual Capacity and
 - (ii) for the avoidance of doubt, the reduction quantity (or quantities) in (i) will not be allocated to an NTS Entry Capacity Transfer(s) at the non-prorated new Bacton ASEP.
- e. In the event that a User has specified that the allocation of its Residual Capacity at a new Bacton ASEP should be capped at the requested level and the allocation under sub-paragraph d above would have been in excess of the requested level, the allocation will be the requested level and the quantity of (excess) capacity not allocated as a consequence will be returned to National Grid NTS.
- f. National Grid will write to each relevant User(s) to inform them of the results of the Final Capacity Reallocation which will include both the aggregate and the User's individual returns and reallocations of Residual Capacity for each of the two new ASEPs detailing the:
- i. Relevant Months or Quarters

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- ii. ASEP
 - iii. Quantity returned and reallocated in kWh/day
 - iv. Transferred quantity for the Transferor User/Transferee User
15. Following the completion of the Initial Capacity Reallocation and where relevant the Final Capacity Reallocation, National Grid will undertake the return and reallocation of the NTS Entry Capacity and where appropriate NTS Entry Capacity Transfers on the Users' behalf. This will not require the Users to undertake any actions on National Grid NTS' systems.
 16. National Grid NTS will:
 - a. set the relevant User's Registered NTS Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton UKCS ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter and
 - b. set the relevant User's Registered NTS Interconnection Point Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton IP ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter¹¹.
 17. National Grid NTS will update its computer system(s) with the above details within ten Business Days of writing to Users to inform them of their NTS Entry Capacity returns and reallocations.
 18. National Grid NTS will then publish the aggregate results of the Bacton Capacity Return and Reallocation Process to all Users.
 19. Following the completion of the Bacton Capacity Return and Reallocation Process, Users will be liable to pay NTS Entry Capacity Charges for the period from 1 November 2015 for the reallocated NTS Entry Capacity rights at the Bacton UKCS ASEP and/or Bacton IP ASEP as appropriate¹². For the avoidance of doubt, Users will not be liable to pay for any capacity returned to National Grid NTS. These NTS Entry Capacity Charges will be invoiced in accordance with the existing provisions of the UNC.

4 Implications of running the Bacton Capacity Reallocation process

1. Completion of the Bacton capacity Reallocation Process will have implications for a number of UNC processes at the Bacton ASEP, Bacton UKCS ASEP and the Bacton IP ASEP.
2. **At the Bacton ASEP:**
 - From the implementation date of the Modification Proposal, New Transfers of NTS Entry Capacity (in accordance with TPD B5) which have either a start or end date of the 01 November 2015 or later will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a

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¹¹ The NTS Interconnection Point Entry Capacity will be flagged as Unbundled NTS Interconnection Point Entry Capacity in Gemini and will be deemed to be in monthly strips for the period 1 November 2015 to 30 September 2016 and in quarterly strips for the periods beyond 1 October 2016.

¹² Note that the current assumption is that the existing bids for NTS Entry Capacity at the Bacton ASEP will remain in Gemini and so Users will still receive an invoice for these, but Users will also receive a credit for this NTS Entry Capacity, such that the two transactions will net off to zero.

start date prior to the 31 October and an end date no later than 31 October 2015 may be permitted

- From the implementation date of the Modification Proposal, National Grid will not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period 01 November 2015 onwards
 - For clarification NTS Entry Capacity Constraint Management Agreements are permitted for the period up to and including 31 October 2015
 - The September 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for October 2015) will be the final RMTTSEC at the Bacton ASEP
 - Daily NTS Entry Capacity (Firm and Interruptible) auctions will be applicable up to and including Gas Day 31 October 2015 and cease thereafter
3. **At the Bacton UKCS ASEP** from completion of the Final Reallocation Process;
- New Transfers of NTS Entry Capacity (in accordance with TPD B5) which have a start date prior to the 01 November 2015 will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date on or after 1 November 2015 may be permitted
 - National Grid may not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period prior to 1 November 2015 but may tender for a period commencing on or after 1 November 2015
 - The November 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for December 2015) will be the first RMTTSEC in which the Bacton UKCS ASEP will be included
 - Gas Day 1 November 2015 will be the first Day for which Daily NTS Entry Capacity (Firm and Interruptible) auctions are effective. Users will be able to submit Bids seven days prior to the 1 November (D-7)
4. The availability and booking of NTS Interconnection Point Entry Capacity at Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation, and until such time as the relevant NTS Interconnection Point Entry Capacity processes have been implemented there will be no facilities for:
- NTS Interconnection Point Entry Capacity Auctions
 - NTS Interconnection Point Entry Capacity Transfers
5. NTS Entry Capacity Charges (covering NTS Entry Capacity or NTS Interconnection Point Entry Capacity as appropriate), NTS Entry Commodity Charges and Capacity Surrender Charges will apply as per TPD B2.11 (and TPD Section Y).
6. Relevant NTS Entry Commodity Charges as per TPD Section Y will continue to apply. For clarification, in the event that NTS Entry Capacity is returned to National Grid NTS, the level of the NTS TO Entry Commodity Charge may be affected.
7. Overrun charges will continue to apply at the two new ASEPs as per TPD B2.12.
8. Capacity Neutrality arrangements will continue to apply as per TPD B2.13.
9. The arrangements regarding the operation of the NTS Optional Commodity Rate will continue to apply as per TPD B3.12, but Users will need to make a

Supply Point Commodity Rate Renomination for the new ASEPs in accordance with TPD G2.3.

10. Entry arrangements at the two new ASEPs will apply as per TPD Section I.
11. TBE publication data in accordance with TPD Section O will now cover the two new ASEPs at Bacton.
12. Invoicing and payment to cover the two new ASEPs will continue to apply as per TPD Section S.
13. Credit arrangements/termination will continue to apply as per TPD Section V.

Modification 0501B

It is proposed that a number of new processes and terms be introduced into the UNC in relation to the process being undertaken regarding NTS Entry Capacity currently held by Users at the Bacton ASEP:

1 New Terms¹³

1. **"Adjacent Transporter"** means the operator of a transmission system connected to (or designated as connected to) the National Transmission System at an Interconnection Point
2. **"Bacton ASEP"** is the Aggregate System Entry Point currently referenced within National Grid NTS' Transporter's Licence as the Bacton NTS Entry Point;
3. **"Bacton IP ASEP"** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated as NTS Interconnection Point Entry Capacity to facilitate the implementation of the EU CAM Code and ;
4. **"Bacton UKCS ASEP"** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated to facilitate the implementation of the EU CAM Code;
5. **"Bacton User"** means a User who holds Relevant Registered NTS Entry Capacity at the Bacton ASEP on the relevant date for any period following 1 November 2015;
6. **"Bacton Capacity Final Reallocation Invitation"** means a second (and final) invitation made to surrender existing NTS Entry Capacity rights at the existing Bacton ASEP to be reallocated as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. This invitation is only triggered if the Bacton Capacity Initial Reallocation Invitation does not completely reallocate all the NTS Entry Capacity rights at the existing Bacton ASEP
7. **"Bacton Capacity Initial Reallocation Invitation"** means an initial invitation made to surrender existing NTS Entry Capacity rights at the existing Bacton ASEP to be reallocated as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP
8. **"Bacton Capacity Reallocation Process"** means the process by which National Grid NTS reallocates existing NTS Entry Capacity rights at the existing Bacton ASEP as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP

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¹³ These terms are included within the modification proposal to assist the reader. The eventual legal drafting may result in different terms and definitions being introduced into the UNC.

Note existing definition for an Interconnection Point within TPD A1.8 is being retained.

9. **“Bacton Capacity Return Invitation”** means an invitation made to return reallocated NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. This invitation is only triggered if the User’s reallocated NTS Entry Capacity rights at one of the newly created ASEPs at Bacton are in excess of the amount requested following the Bacton Capacity Final Reallocation Invitation.
10. **“Bacton Capacity Return Process”** means the process by which Bacton Users have an opportunity to return relevant Registered NTS Entry Capacity to National Grid NTS in circumstances where their reallocation of NTS Entry Capacity at a new Bacton ASEP exceeds the level they requested in response to the Bacton Capacity Final Reallocation Invitation
11. **“Final Capacity Reallocation”** means the result of the second application of the Bacton Capacity Reallocation Process and, where relevant the Bacton Capacity Return Process
12. **“Initial Capacity Reallocation”** means the result of the first application of the Bacton Capacity Reallocation
13. **“NTS Interconnection Point Entry Capacity”** means NTS Entry Capacity at an Interconnection Point.
14. **“Returnable Capacity”** means a Bacton User’s reallocated NTS Entry Capacity at a newly created Bacton ASEP which exceeds the level they requested at that ASEP in response to the Bacton Capacity Final Reallocation Invitation. The User may return all or some of the Returnable Capacity.
15. **“Unbundled NTS Interconnection Point Entry Capacity”** means NTS Interconnection Point Entry Capacity at an Interconnection Point which has been auctioned separately at that Interconnection Point, from capacity rights provided by any Adjacent Transporter.

2 High level view of the reallocation process

1. Users are invited to indicate where they wish their existing Registered NTS Entry Capacity rights at the existing Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs. For the avoidance of doubt, a User can indicate that they require all their existing Registered NTS Entry Capacity rights at the existing Bacton ASEP for any relevant period to be allocated to only one of the two new ASEPs (i.e. that they require zero at the other new ASEP for that period).
2. Bacton Users that are also Transferor Users will be invited to indicate where they wish their existing NTS Capacity Transfers at the Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs.
3. NTS Entry Capacity rights at the Bacton ASEP will be reallocated (by National Grid NTS on behalf of the User) at the new ASEPs at Bacton.
4. NTS Entry Capacity Transfers at the Bacton ASEP will be reallocated (by National Grid NTS on behalf of the Transferor User and Transferee User) at the new ASEPs at Bacton as requested by the relevant Transferor User.
5. At the new Bacton IP ASEP, Users will be registered as holding NTS Interconnection Point Entry Capacity. Some existing UNC rules and processes as appropriate will apply to this type of NTS Entry Capacity but note that certain processes and arrangements concerning NTS Interconnection Point Entry Capacity held at the Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation under Modification 500.
6. At the Bacton UKCS ASEP, Users will be registered as holding NTS Entry Capacity and all the existing UNC rules and processes will continue to apply to this NTS Entry Capacity.
7. National Grid NTS will only reallocate the NTS Entry Capacity/NTS Interconnection Point Entry Capacity in full where it is less than or equal to the Obligated level for that ASEP for the relevant Month/Quarter.
8. NTS Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton UKCS ASEP at a weighted average price. The application of the volume weighted average price of that User's NTS Entry Capacity over all the auctions during which they previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP.
9. Similarly, NTS Interconnection Point Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton IP ASEP at a weighted average price. The application of the volume weighted average price of that User's NTS Entry Capacity over all the auctions during which they previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP.
10. National Grid NTS will only reallocate Transfers where the Transferor has Registered NTS Entry Capacity that is equal to or greater than the transferred quantity and where the Transfer is for a calendar month(s) or calendar quarter(s).
11. Users will be entitled to return all or some NTS Entry Capacity, which National Grid NTS reallocates to one of the newly created Bacton ASEPs, to the extent that the reallocated NTS Entry capacity is in excess of the amount the Bacton User requested at that Bacton ASEP in response to the Bacton Final Reallocation Invitation.
12. Where Capacity is returned by a User to National Grid NTS, the User will be relieved of any transportation charges that would otherwise pertain to it. The

to offer it for sale in subsequent NTS Entry Capacity auctions at the applicable new Bacton ASEPs.

3 The Bacton Capacity Reallocation and restricted Capacity Return processes

1. This process will begin after the March 2015 auction in respect of Quarterly NTS Entry Capacity is allocated and is anticipated to be completed by 30th September 2015 to be effective for NTS Entry Capacity held on and from 01 November 2015.
2. National Grid NTS will invite all Users who currently hold Registered NTS Entry Capacity at the Bacton ASEP from 01 November 2015 onwards to reallocate their Registered NTS Entry Capacity at the Bacton ASEP for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards¹⁴ to the new Bacton UKCS ASEP and/or Bacton IP ASEP. For the avoidance of doubt, the definition of Registered NTS Entry Capacity within UNC TPD B5 will be applied throughout this Modification.
3. National Grid NTS will invite all Bacton Users that have existing NTS Entry Capacity Transfers at the Bacton ASEP from 01 November 2015 onwards to reallocate their NTS Entry Capacity Transfers at the Bacton ASEP for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards to the new Bacton UKCS ASEP and/or Bacton IP ASEP.
4. Within Ten Business Days following the allocation of the March 2015 auction in respect of Quarterly NTS Entry Capacity, National Grid NTS will invite (the Bacton Capacity Initial Reallocation Invitation) all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP and all Bacton Users that have NTS Entry Capacity Transfers from 01 November 2015 onwards to indicate what quantity of their Registered NTS Entry Capacity and NTS Entry Capacity Transfers they want to be held in future at the Bacton UKCS ASEP and/or the Bacton IP ASEP. Note that Users will be allocated NTS Entry Capacity at the Bacton UKCS ASEP and NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. As NTS Interconnection Point Entry Capacity is a type of NTS Entry Capacity, we use the term NTS Entry Capacity in the following paragraphs to mean both.
5. The Bacton Capacity Initial Reallocation Invitation will state, specific to each Registered Capacity holder:
 - a. The Initial Period (Months from 01 November 2015 to 30 September 2016 and Quarters from 01 October 2016 to 30 September 2031) for which reallocations of NTS Entry Capacity and NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being sought
 - b. The existing Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period

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¹⁴ The invitation will specify months for the initial year of the period as the NTS Entry Capacity could have been bought through either AMSEC or QSEC auctions so different amounts of NTS Entry Capacity could be held for different months. Whereas for the period 1 October 2016 onwards, the capacity could only have been bought in QSEC auctions and so the amounts of NTS Entry Capacity will only vary per quarter.

- e. The date within 10 business days of invite and means (which shall be via facsimile) by which Users can signal their required reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent, (For each Business Day Users can submit their requests between 08:00am and 17:00pm)
 - g. That a User cannot request reallocation of a quantity less than or greater than their Registered NTS Entry Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Registered NTS Entry Capacity at the Bacton ASEP
 - i. The User to provide a quantity by ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. The date by which National Grid NTS will provide back to Users the result of the Initial Capacity Reallocation.
6. If a Bacton User does not respond to the Bacton Capacity Initial Reallocation Invitation by the date indicated, National Grid NTS will assume that the Bacton User wants to reallocate its Registered NTS Entry Capacity for each of the relevant Months or Quarters of the Initial Period for which that User holds Registered NTS Entry Capacity between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
 7. Where a Transferor User does not respond to the Bacton Capacity Initial Reallocation Invitation by the date indicated, National Grid NTS, on behalf of the Users involved (the Transferor and Transferee Users of the relevant Transfer), will recreate the NTS Entry Capacity Transfer using the same proportions as the Transferor's split of their primary holdings at the current Bacton ASEP between the Bacton UKCS ASEP and the Bacton IP ASEP.
 8. Within five Business Days after the date by which Bacton Users need to respond to the Bacton Capacity Initial Reallocation Invitation, National Grid NTS will undertake the Initial Capacity Reallocation and notify each relevant User by facsimile of the outcome.
 9. The process that National Grid NTS will utilise for the Initial Capacity Reallocation is as follows:
 - a. National Grid NTS will calculate the aggregate level of NTS Entry Capacity rights requested by Users for each Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP
 - b. Provided that the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level of NTS Entry Capacity at each of the Bacton UKCS ASEP and the Bacton IP ASEP for a given Month/Quarter, National Grid NTS will
 - i. dependent on 5g above allocate that NTS Entry Capacity in accordance with the User's individual requests; and
 - ii. dependent upon 5h above recreate the NTS Capacity Transfer in accordance with the Transferor Users requests
 - c. If in any Month/Quarter and at either ASEP, the aggregate level of NTS Entry Capacity rights is above the relevant Obligated level of NTS

Entry Capacity, National Grid NTS will not allocate any NTS Entry Capacity rights or recreate NTS Entry Capacity Transfers to Users for that Month or Quarter (but will allocate for the other Months or Quarters)

- d. National Grid will write to relevant Users to inform the results of the Initial Capacity Reallocation which will show the aggregate and the User's individual reallocations of NTS Entry Capacity for each of the two new ASEPs in the form detailing the:
 - i. Relevant Months or Quarters
 - ii. ASEP
 - iii. Quantity in kWh/day allocated
 - iv. Transferred quantity for the Transferor User/Transferee User
 - e. National Grid will also inform relevant Users of any Months or Quarters which are not reallocated as the aggregate level of NTS Entry Capacity rights requested was above the relevant Obligated level of NTS Entry Capacity at either new ASEP and therefore that a second invitation (the Bacton Capacity Final Reallocation Invitation) will be issued.
10. If the Initial Capacity Reallocation does not fully reallocate all existing NTS Entry Capacity for all Months/Quarters to the two new ASEPs, National Grid NTS will within five Business Days issue a Bacton Capacity Final Reallocation Invitation to all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP for the particular Months/Quarters affected to re-indicate where they would wish their Registered NTS Entry Capacity and, where applicable, NTS Entry Capacity Transfer(s) to be held in future; either at the Bacton UKCS ASEP or the Bacton IP ASEP.
11. The Bacton Capacity Final Reallocation Invitation will state:
- a. The relevant Months/Quarters within the Initial Period for which reallocations of NTS Entry Capacity and NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being re-sought, together with the aggregate quantity of NTS Entry Capacity which was requested for the relevant Months/Quarters during the Initial Capacity Reallocation. Note that this will only be for periods where no reallocation took place following the Initial Capacity Reallocation as the aggregate level of NTS Entry Capacity rights requested was above the relevant Obligated level of NTS Entry Capacity at either new ASEP.
 - b. The existing Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days and means (which shall be via facsimile) by which Users can signal their required reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent, (For each Business Day Users can submit their requests between 08:00am and 17:00pm)

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- g. That a User cannot request reallocation of a quantity less than or greater than their Registered NTS Entry Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Registered NTS Entry Capacity at the Bacton ASEP
 - i. The User to provide a quantity by ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. The date by which National Grid NTS will provide back to Users the result of the Final Capacity Reallocation.
12. If a User does not respond to the Bacton Capacity Final Reallocation Invitation by the date indicated, National Grid NTS will:
- a. reallocate the Users Registered NTS Entry Capacity for each of the relevant Months or Quarters for which that User holds Registered NTS Entry Capacity within the Initial Period between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
 - b. recreate the NTS Entry Capacity Transfer(s) using the same proportions as the Transferor User's split of their primary holdings at the current Bacton ASEP between the Bacton UKCS ASEP and the Bacton IP ASEP
13. Within five business days after the date by which Users needed to respond to the Bacton Capacity Final Reallocation Invitation, National Grid NTS will undertake the following process:
- a. National Grid will calculate the aggregate level of NTS Entry Capacity rights requested by Users for each relevant Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP
 - b. Provided that the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level at each of the Bacton UKCS ASEP and the Bacton IP ASEP for the particular Month/Quarter, National Grid NTS will allocate that NTS Entry Capacity in accordance with the User's individual requests
 - c. National Grid NTS will recreate NTS Entry Capacity Transfers in accordance with the relevant Transferor Users' requests as appropriate.
 - d. National Grid NTS will write to each relevant User(s) to inform them of the results of the Final Capacity Reallocation (where the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level at each of the Bacton UKCS ASEP and the Bacton IP ASEP) detailing
 - i. Relevant Months or Quarters
 - ii. ASEP
 - iii. Quantity in kWh/day
 - iv. Transferred quantity for the Transferor User/Transferee User
 - e. If in any Month/Quarter and at either ASEP, the aggregate level of NTS Entry Capacity rights requested in the Final Capacity Reallocation is

Grid NTS will allocate the relevant NTS Entry Capacity for that Month/ASEP or Quarter/ASEP combination pro rata to the aggregate amount applied for by all Users (with respect to each User, the **Pro Rated Capacity**). National Grid NTS will then allocate such Pro Rated Capacity to Transferee Users in accordance with the following provisions before allocating any Prp Rated Capacity to the Transferor:

- i. Where a User has made a request under paragraph c above, then following proration NTS will take the following action in relation to each User's Transfer:
 - a. firstly, re-create the transfer in accordance with that request to the fullest extent possible (the amount is not to exceed the Users total allocated NTS Entry Capacity at either of the new ASEPS) ; and
 - b. secondly, if a Transferor is a party to more than one Entry Capacity Transfer, (a) shall be repeated with respect to each relevant Transfer so that the Pro Rated Capacity is apportioned to each Transferee up to, but not exceeding, the amount notified under paragraph c above for the relevant Month/ASEP or Quarter/ASEP. If the Pro Rated Capacity with respect to a Transferor is not sufficient to fully recreate the trade on NTS systems, to one or more Transferee in the amount requested by the Transferor, all Pro Rated Capacity shall be further pro rated and apportioned to each relevant Transferee in accordance with the proportions consistent with the amounts notified by the Transferor
- ii. Following proration, any quantity of NTS Entry Capacity allocated to a User in excess of the level that the User has requested at that ASEP, shall be considered Returnable Capacity and will give rise to a Bacton Capacity Return Invitation.

14. If, following 13(e)(i) (a) and (b)), any Transferee has been apportioned less NTS Entry Capacity than the Transferor agreed to transfer to the Transferee (pursuant to an NTS Entry Capacity Transfer existing immediately prior to allocation in accordance with 13(e) above), the Transferor shall have no liability to the Transferee for the shortfall.

15. Where a User's reallocation of NTS Entry Capacity exceeds the level requested by them in response to the Bacton Capacity Final Reallocation i.e the User(s) have a quantity of Returnable Capacity greater than zero, National Grid NTS will issue a Bacton Capacity Return Invitation.

16. The Bacton Capacity Return Invitation shall state:

- a. The relevant Months/Quarters within the Final Capacity Reallocation where the User's Registered NTS Entry Capacity has been reallocated to one of the newly created ASEPs in excess of the amount the User requested in response to the Bacton Capacity Final Reallocation Invitation.
- b. The Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of which was reallocated to a newly created Bacton ASEP following the Final Reallocation Invitation.
- c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters following the Final Reallocation Invitation.
- d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period

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- e. The date within five business days and means (which shall be via facsimile) by which Users can signal the amount of capacity they will return for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent, (For each Business Day Users can submit their requests between 08:00am and 17:00pm)
 - g. The date by which National Grid NTS will provide back to Users the result of the Final Capacity Reallocation.
17. The User shall submit to National Grid NTS the quantity of Returnable Capacity to be returned to National Grid NTS for the relevant Bacton ASEP by period (Month or Quarter).
- a. The Bacton User cannot request to return a quantity of capacity greater than their Returnable Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - b. If the quantity requested by the Bacton User does exceed their permitted quantity of Returnable capacity, National Grid NTS will limit the quantity to the User's maximum Returnable Capacity.
18. If a User does not respond to the Bacton Capacity Return Invitation by the date indicated, National Grid NTS will allocate the Users returnable capacity to them as Registered NTS Entry Capacity for each of the relevant Months or Quarters as per the notification within the capacity return invitation.
19. Within five business days after the date by which Users needed to respond to the Bacton Capacity Return Invitation, National Grid NTS will notify the relevant Users of their allocations.
20. Following the Bacton Capacity Reallocation and Return Process, National Grid will undertake the reallocation of the NTS Entry Capacity and where appropriate NTS Entry Capacity Transfers on the Users behalf. This will not require the Users to undertake any actions on National Grid NTS' systems.
21. National Grid NTS will:
- a. set the relevant User's Registered NTS Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton UKCS ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter and
 - b. set the relevant User's Registered NTS Interconnection Point Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton IP ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter¹⁵.
22. National Grid NTS will update its computer system(s) with the above details within ten Business Days of writing to Users to inform them of their NTS Entry Capacity reallocations.

¹⁵ The NTS Interconnection Point Entry Capacity will be flagged as Unbundled NTS Interconnection Point Entry Capacity in Gemini and will be deemed to be in monthly strips for the period 1 November 2015 to 30 September 2016 and in quarterly strips for the periods beyond 1 October 2016.

23. National Grid NTS will then publish the aggregate results of the Bacton Capacity Reallocation Process and Bacton Capacity Return Process to all Users.
24. Following the completion of the Bacton Capacity Reallocation Process and the Bacton Capacity Return Process, Users will be liable to pay NTS Entry Capacity Charges for the period from 1 November 2015 for the reallocated NTS Entry Capacity rights at the Bacton UKCS ASEP and/or Bacton IP ASEP as appropriate¹⁶. For the avoidance of doubt, Bacton Users will not be liable to pay for any NTS Entry Capacity returned to National Grid NTS following the Bacton Capacity Return Invitation. These NTS Entry Capacity Charges will be invoiced in accordance with the existing provisions of the UNC.

¹⁶ Note that the current assumption is that the existing bids for NTS Entry Capacity at the Bacton ASEP will remain in Gemini and so Users will still receive an invoice for these, but Users will also receive a credit for this NTS Entry Capacity, such that the two transactions will net off to zero.

4 Implications of running the Bacton Capacity Reallocation process

1. Completion of the Bacton Capacity Reallocation Process and Bacton Capacity Return Process (i.e. the Final Capacity Reallocation) will have implications for a number of UNC processes at the Bacton ASEP, Bacton UKCS ASEP and the Bacton IP ASEP.
2. **At the Bacton ASEP;**
 - From the implementation date of the Modification Proposal new Transfers of NTS Entry Capacity (in accordance with TPD B5) which have either a start or end date of the 01 November 2015 or later will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date prior to the 31 October and an end date no later than 31 October 2015 may be permitted
 - From the implementation date of the Modification Proposal National Grid will not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period 01 November 2015 onwards
 - For clarification NTS Entry Capacity Constraint Management Agreements are permitted for the period up to and including 31 October 2015
 - The September 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for October 2015) will be the final RMTTSEC at the Bacton ASEP
 - Daily NTS Entry Capacity (Firm and Interruptible) auctions will be applicable up to and including Gas Day 31 October 2015 and cease thereafter
3. **At the Bacton UKCS ASEP** from completion of the Final Reallocation:
 - New Transfers of NTS Entry Capacity (in accordance with TPD B5) which have a start date prior to the 01 November 2015 will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date on or after 1 November 2015 may be permitted
 - National Grid may not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period prior to 1 November 2015 but may tender for a period commencing on or after 1 November 2015
 - The November 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for December 2015) will be the first RMTTSEC in which the Bacton UKCS ASEP will be included
 - Gas Day 1 November 2015 will be the first Day for which Daily NTS Entry Capacity (Firm and Interruptible) auctions are effective. Users will be able to submit Bids seven days prior to the 1 November (D-7)
4. The availability and booking of NTS Interconnection Point Entry Capacity at Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation under UNC Modification 0500, until such time as the relevant NTS Interconnection Point Entry Capacity processes have been implemented there will be no facilities for:
 - NTS Interconnection Point Entry Capacity auctions
 - NTS Interconnection Point Entry Capacity Transfers
5. NTS Entry Capacity Charges (covering NTS Entry Capacity or NTS Interconnection Point Entry Capacity as appropriate), NTS Entry Commodity

Charges and Capacity Surrender Charges will apply as per TPD B2.11 (and TPD Section Y).

6. The relevant NTS Entry Commodity Charges as per TPD Section Y will continue to apply. For clarification, in the event that NTS Entry Capacity is returned to National Grid NTS, the level of NTS TO Entry Commodity Charges may be affected.
7. Overrun charges will continue to apply at the two new ASEPs as per TPD B2.12.
8. Capacity Neutrality arrangements will continue to apply as per TPD B2.13.
9. The arrangements regarding the operation of the NTS Optional Commodity Rate will continue to apply as per TPD B3.12, but Users will need to make a Supply Point Commodity Rate Renomination for the new ASEPs in accordance with TPD G2.3.
10. Entry arrangements at the two new ASEPs will apply as per TPD Section I.
11. TBE publication data in accordance with TPD Section O will now cover the two new ASEPs at Bacton.
12. Invoicing and payment to cover the two new ASEPs will continue to apply as per TPD Section S.
13. Credit arrangements/termination will continue to apply as per TPD Section V.

User Pays

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

No User Pays service would be created or amended by implementation of these modifications and they are not, therefore, classified as a User Pays Modifications.

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.

Not applicable

Proposed charge(s) for application of User Pays charges to Shippers.

Not applicable

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.

Not applicable

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 for 0501 Positive 0501A/0501B
c) Efficient discharge of the licensee's obligations.	None for 0501 Positive for 0501A/0501B
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.	None
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 0501/0501A/0501B

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

Some participants consider Modification 0501A is likely to provide for the timely bundling of capacity at the Bacton IP ASEP and should therefore better facilitate the coordinated approach to adjacent pipe-line system access envisaged by CAM. A reduction in the likelihood of capacity being sterilised at either of the new ASEPS, due to Users being allocated quantities in excess of their requirements, would result in the efficient recycling and bundling of capacity. This would promote more efficient use of the NTS pipeline system and adjacent pipe-line systems. It is envisaged that Enduring NTS Exit (Flat) Capacity rights at IPs will be end-dated (possibly by 2018) which will be conducive the intentions of CAM. Modification 0501A provides for similar benefits to be conferred on Bacton entry capacity.

Some participants were concerned that Modification 501A allows the User to hand back any and all capacity, despite having previously committed to holding capacity under a long term user commitment. An unrestricted ability to return any and all capacity may result in a significant redistribution of cost, from those who booked Bacton NTS Entry to all other system users via the NTS commodity charge.

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Some participants consider Modification 0501B is likely provide for the timely bundling

of capacity at the Bacton IP ASEP and should therefore better facilitate the coordinated approach to adjacent pipe-line system access envisaged by CAM. A reduction in the likelihood of capacity being sterilised at either of the new ASEPS, due to Users being able to return capacity which has been reallocated to them which is in excess of the quantity they require at one of the newly created ASEPs. This should result in the efficient recycling and bundling of capacity and promote more efficient use of the NTS pipeline system and adjacent pipe-line systems. It is envisaged that Enduring NTS Exit (Flat) Capacity rights at IPs will be end-dated (possibly by 2020) which will be conducive the intentions of CAM. This modification proposal provides for similar benefits to be conferred on Bacton entry capacity.

Further, Modification 0501B is consistent with the User Commitment model in that Users are only able to return Returnable Capacity, the capacity that reallocated to a newly created Bacton ASEP against the requests of the Bacton User.

Some participants were concerned that none of the proposed modifications furthered relevant objective b) as none offered the flexibility currently enjoyed by parties and increased the risk of sterilised capacity.

c) Efficient discharge of the licensee's obligations

For Modifications 0501A and 0501B, participants consider the efficient return and reallocation of capacity should ensure that Users' requirements are more accurately accounted for at an early stage. This should help to reduce the likelihood of artificial congestion at either of the new Bacton ASEPs and provide Users with more ready access to entry capacity. One of the key obligations on the licensee is to comply with the CAM network code and these modifications should allow the licensee to do so, in respect of Bacton entry capacity, in a more efficient manner.

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

Participants consider these modifications facilitate compliance with European legislative requirements to be applied only at Interconnection Points on the NTS. However, some participants were concerned that the spirit of the European regulations were not be fulfilled as these modifications could impact competition and therefore not achieve the expectations of a more competitive market which is considered to be an under lying principle of the European Codes.

5 Implementation

No implementation timescales are proposed. The European Commission has specified that the relevant regulation should come into effect on 01 November 2015.

Additional Information or Impacts

6 Legal Text

Legal text has been provided by National Grid NTS at the request of the Modification Panel and is published alongside this report.

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7 Recommendation

The Workgroup invites the Panel to:

- AGREE that these modifications should be returned to Workgroup for further assessment;
- That the Workgroup report date is extended to the January 2015 Panel.

The Workgroup was unable to reach a consensus to recommend that these modifications were sufficiently developed to be issued to consultation. The Workgroup is aware that another alternative modification is being prepared for submission to the November Panel, and some participants consider it would be an advantage if all options were presented for consultation in a single report and therefore recommend that Panel extend the Workgroup reporting date.

The Workgroup recommends the reporting date is extended to the January Panel as this would allow sufficient time to assess the modifications, for them to be issued to consultation and for Panel to make a recommendation in February. This timetable would fit with the Authorities planned licence consultation as they would not be able to make a decision on these modifications until early April 2015 when the licence changes are likely to be effective.