

0501/A/B/C:

Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations

A = ..,including capacity return option.

B = ..,including a restricted capacity return option.

C = ..,including a capped capacity return option and an aggregate overrun regime.

01	Modification
02	Workgroup Report
03	Draft Modification Report
04	Final Modification Report

These modifications 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.

	<p>The Panel recommended implementation of</p> <ul style="list-style-type: none"> • Modification 0501; • Modification 0501A; • Modification 0501B; and • Modification 0501C.
	<p>High Impact: Shippers and National Grid NTS</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: None</p>

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<p>This Final Modification Report was presented to the Panel on 19 February 2015.</p> <p>The Authority will consider the Panel’s recommendations and decide whether or not which, if any, change should be made.</p> <p>The Workgroup recommended the following timetable:</p> <table border="1"> <tbody> <tr> <td>Workgroup Report presented to Panel</td> <td>15 January 2015</td> </tr> <tr> <td>Draft Modification Report issued for consultation</td> <td>16 January 2015</td> </tr> <tr> <td>Consultation Close-out for representations</td> <td>12 February 2015</td> </tr> <tr> <td>Final Modification Report published for Panel</td> <td>16 February 2015</td> </tr> <tr> <td>UNC Modification Panel recommendation</td> <td>19 February 2015</td> </tr> </tbody> </table>		Workgroup Report presented to Panel	15 January 2015	Draft Modification Report issued for consultation	16 January 2015	Consultation Close-out for representations	12 February 2015	Final Modification Report published for Panel	16 February 2015	UNC Modification Panel recommendation	19 February 2015	 Matthew.Hatch@nationalgrid.com
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UNC Modification Panel recommendation	19 February 2015											
		 01926 655893										
		Systems Provider: Xoserve										
		 commercial.enquiries@xoserve.com										

1 Summary

Are these Self-Governance Modifications?

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?

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, this is to ensure that CAM/CMP procedures are only applicable at the Bacton IP ASEP.

A number of concerns have been raised concerning the impacts on long-term capacity booking and the impacts on current contractual positions. This has generated three alternative modifications, each proposing a different approach to managing capacity bookings for Bacton.

Solutions

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

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 01 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.

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 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 mirrors the Modification 0501 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, with the addition of a one-off opportunity for Users to return capacity to National Grid NTS. Capacity can be returned both at the start of the allocation process and at the end, if capacity were to be allocated at an ASEP in excess of that indicated by the user.

Modification 0501B mirrors the Modification 0501 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. Users may not return capacity at the beginning of the allocation process but ultimately are able to return the capacity that may have been allocated at one of the newly created ASEP, which exceeds the allocation the user requested following the Bacton Capacity Final Reallocation Invitation.

Modification 0501C mirrors the Modification 0501A one-off process with capacity return but limits users to return only up to a maximum proportion of their existing NTS Entry Capacity at Bacton. The proportion will be defined once the Bacton ASEP obligated capacity split is confirmed by Ofgem after their current consultation on the CAM Gas Transporters licence changes and would be 72.77% under the current proposal.

In addition Residual Capacity that remains at the conclusion of the allocation process will continue to enjoy current Bacton ASEP flexibility through an aggregate overrun regime across the two new Bacton ASEPS and the provision of an entry capacity rebate when bundled products are purchased at the Bacton IP ASEP.

The proposer considers both elements are required to fully restore the value of the original product.

The original long term product gave rights over a certain proportion of the total Bacton ASEP obligated entry capacity and allowed gas to enter the NTS completely flexibly between all the entry points within the Bacton ASEP

Under the proposed split, 72.77% of that obligated capacity will be allocated to the new asset specific IP ASEP to precisely match the technical capacities of the interconnectors. This unique new entry capacity product, sized specifically for particular assets, has been allocated without any price signal. The price of capacity will be determined through future CAM auctions with Interconnector users safe in the knowledge that there is no potential shortage of capacity to serve full asset flows and their capacity needs are further protected through having their own ASEP. The price of this unique new 'asset-specific' ASEP product is demonstrably zero on initial allocation to the ASEP and as such long term holders must be treated equitably on their proportion of the original obligated capacity that has been allocated to this unique new ASEP. A new product priced at zero on initial allocation is exactly equivalent to long term capacity holders

handing back the capacity which then allows them to compete equitably for this unique new entry product. Thus as a first option long term holders must have the right to return up to this percentage of their long term capacity.

Further, to fully restore original value, capacity that remains after any return should continue to enjoy the flexibility of the original product which allows it to be used to flow gas through both the UKCS ASEP and IP ASEP.

Relevant Objectives

Implementation of Modifications 0501, 0501A, 0501B and 0501C would impact 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

- 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.

Implementation of Modifications 0501, 0501A, 0501B and 0501C would better facilitate the following relevant 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".

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.

There may be systems costs associated with the implementation of Modification 0501C but no additional costs associated with the other modifications.

The Transporters have provided a Rough Order of Magnitude (ROM) for Modification 0501C which indicates that a system solution would cost in the order of £415,000 to £490,000.

An interim offline solution would be considered between November 2015 and April 2016, with a cost not expected to exceed £50,000.

The Transporters propose a change to the Agency Charging Statement (ACS), allocating costs on the basis of capacity held at Bacton by Users post the reallocation of capacity.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

Yes, the implementation of one of these modifications is required to ensure Bacton ASEP is compliant following the implementation of CAM Code and associated European legislation which takes effect from October/November 2015 and therefore could have a significant impact on European Code changes obligations in the UK.

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 harmonise 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)³. 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 placed for NTS Entry Capacity at the Bacton ASEP for the period after the planned implementation of CAM, these will need to be reallocated between the two new ASEPs to ensure that CAM/CMP procedures are only applicable at the Bacton IP ASEP. This modification details how to achieve this. Alternative Modifications 0501A, 0501B and 0501C also allow Users to return varying amounts of capacity.

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.

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 30 September 2015 and the changes will be effective from 01 November 2015.

Certain existing processes within the UNC surrounding NTS Entry Capacity at the existing Bacton ASEP will need to cease for defined periods following implementation of these Modifications 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.

³ Note that this will be the subject of an Ofgem consultation. The process described in these modifications 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).

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 been 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 under Modification 0500.

Following the implementation of CAM and the proposed Bacton split, Modification 0501C proposes to introduce an aggregate overrun regime for Residual Capacity holders to enable them to flexibly flow through either new Bacton ASEP. For the purposes of calculating System Entry Overrun Charges at a new Bacton ASEP, National Grid NTS will take account of that User's current NTS Entry Capacity at that new Bacton ASEP plus that User's unutilised Residual Capacity at the other new Bacton ASEP.

In addition, where a User wishes to use Residual Capacity and that User purchases a bundled Bacton IP ASEP product such that the User would incur NTS Entry Capacity Charges twice, that User will receive a rebate of the NTS Entry Capacity Charge embedded within the bundled Bacton IP ASEP product.

3 Solution

The following table summarise the process differences between the modification Solutions detailed in this report.

Process introduced	0501	0501A	0501B	0501C
Meets compliance requirements for CAM code	✓	✓	✓	✓
One off process to allow Users to allocate existing Capacity on a Quarterly basis from 01 October 2016 to 30 September 2031 between Bacton UKCS and Bacton IP ASEPs - based on a User's original capacity booking.	✓	✓	✓	✓
One off process to allow Users to allocate existing Capacity on a Monthly basis from 01 November 2015 to 30 September 2016 between Bacton UKCS and Bacton IP ASEPs - based on a User's original capacity booking.	✓	✓	✓	✓
One off process allows Users to return Capacity on a Quarterly basis between October 2016 and September 2031. The User then allocates residual capacity between Bacton UKCS and Bacton IP ASEPs.		✓		✓
One off process allows Users to return capacity on a monthly basis between November 2015 and September 2016. The User then allocates residual capacity between Bacton UKCS and Bacton IP ASEPs		✓		✓
Users will have an opportunity to return NTS Entry Capacity to the extent that the allocation at either one of Bacton UKCS or Bacton IP ASEP exceeds the allocation that the User requested following the Bacton Capacity Final Reallocation Invitation.		✓	✓	✓
Introduces an aggregate overrun regime for Residual Capacity holders to enable them to flexibly flow through either Bacton UKCS or Bacton IP ASEP so that it mirrors current flexibility.				✓
Introduces a rebate, where a User purchases a bundled Bacton IP ASEP product to use unutilised residual capacity, for the NTS Entry Capacity Charge embedded within the bundled Bacton IP ASEP.				✓
Long term processes and systems required.				✓

The modification Solutions have been summarised below, however, for detailed business rules refer to the following sections of this Workgroup Report:

Modification	Section
0501	9 – Appendix 1
0501A	10 – Appendix 2
0501B	11 – Appendix 3
0501C	12 – Appendix 4

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 2031 (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 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 2031 (as relevant), for the Bacton Capacity Return and Initial Reallocation Invitation, Users will be invited to:

- 1 Specify the quantity of their existing NTS entry capacity rights to be returned to National Grid NTS and
 - (a) 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.

Capacity may also be returned at end of the capacity allocation process if a quantity of capacity were to be allocated at an ASEP in excess of that indicated by the user in their response to the Bacton Capacity Final Reallocation Invitation.

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 2031 (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' NTS Entry 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 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. Following this process, a User will have an opportunity to return NTS Entry Capacity to National Grid NTS but only to the extent that the allocation at one of the newly created Bacton ASEPs exceeds the allocation that the User requested following the Bacton Capacity Final Reallocation Invitation.

Where NTS Entry 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 NTS Entry Capacity will therefore be available to National Grid NTS to offer it for sale in subsequent capacity auctions at the applicable new Bacton ASEPs.

In respect of any relevant month or quarter, Users (and, in respect of NTS Entry Capacity Transfers, Transferor Users) should ensure that the quantities they specify under the above processes are entirely consistent with their existing NTS Entry Capacity rights and are consistent with allocating existing Bacton ASEP NTS Entry Capacity Transfers to the new Bacton ASEPs. 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.

Further, under 501B, it is proposed that any Transferee that 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 the Bacton Capacity Final Reallocation Invitation), the Transferor shall have no liability to the Transferee for the shortfall

The Final Reallocation will, for the relevant month or quarter, reallocate existing NTS Entry Capacity rights 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.

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

Modification 0501C introduces a one-off process to enable Users to return up to a maximum of 72.77% of their existing NTS Entry Capacity at Bacton to National Grid NTS.

In parallel Users would indicate where they wish their Residual Capacity to be held following implementation of CAM and the Bacton split. 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 2031 (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 up to a maximum of 72.77% of their holding on a monthly basis (the “Return Cap”) subject to the outcome of Ofgem’s consultation on the Gas Transporters licence changes; and
- (b) For the remaining existing NTS Entry Capacity rights which cannot be less than 27.23%, subject to the outcome of Ofgem’s consultation on the Gas Transporters licence changes (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.

In respect of Residual Capacity, where the aggregate level of Users’ capacity holdings at each new ASEP is 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 subject to any restrictions arising from NTS Entry Capacity Transfers. If this is not the case, a further invitation and allocation process will be undertaken. If after both 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. As part of this process a User will have a further opportunity to return capacity to National Grid NTS but only to the extent that the allocation at an ASEP exceeds the allocation that the User had most recently requested.

Where existing NTS Entry 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.

In respect of any relevant month or quarter, Users (and, in respect of NTS Entry Capacity Transfers, Transferor Users) should ensure that the quantities they specify under the above processes are entirely consistent with their existing NTS entry capacity rights and are consistent with allocating existing Bacton ASEP NTS Entry Capacity Transfers to the new Bacton ASEPs. 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.

The default reallocation will, for the relevant month or quarter, reallocate existing NTS entry capacity rights 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.

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

Following the implementation of CAM and the proposed Bacton split in Modification 501C, an aggregate overrun regime would be introduced for Residual Capacity holders to enable them to flexibly flow through either new Bacton ASEP. For the purposes of calculating System Entry Overrun Charges at a new Bacton ASEP, National Grid NTS will take account of that User’s current Available NTS Entry Capacity at

that new Bacton ASEP plus that User's unutilised Residual Capacity at the other new Bacton ASEP, if any.

In addition, where a User wishes to use Residual Capacity and that User purchases a bundled Bacton IP ASEP product such that the User would incur NTS Entry Capacity Charges twice, that User will receive a rebate of the NTS Entry Capacity Charge embedded within the bundled Bacton IP ASEP product.

For clarity there will be no change to the process to be applied by a User in undertaking System Capacity Transfers. Residual Capacity Rights will not transfer to a Transferee User.

As a default rule, where a User undertakes a System Capacity Transfer, that User shall be deemed to transfer NTS Entry Capacity to the Transferee User in the following order:

- (a) firstly, to the extent of that User's non-Residual Capacity; and
- (b) thereafter, to the extent of that User's Residual Capacity.

In relation to the surrender of Firm NTS Entry Capacity, where a User makes an offer to surrender Firm NTS Entry Capacity for a Day in respect of a new Bacton ASEP (pursuant to TPD B2.3 and/or TPD B2.10), that User shall be deemed to offer to surrender its Firm NTS Entry Capacity to National Grid NTS in the priority order set out below.

(at the new Bacton IP ASEP):

As a default rule, where a User specifies through PRISMA that the surrender offer is in respect of unbundled NTS Entry Capacity, that User's NTS Entry Capacity shall be deemed to be surrendered in the following priority order:

- (a) firstly, to the extent of that User's unbundled non-Residual Capacity; and
- (b) thereafter, to the extent of that User's unbundled Residual Capacity.

To the extent that the User has insufficient unbundled NTS Entry Capacity available to fully satisfy the surrender offer, the User's unbundled NTS Entry Capacity shall be deemed to be negative

As a default rule, where a User specifies through PRISMA that the surrender offer is in respect of bundled NTS Entry Capacity, that User's NTS Capacity Capacity shall be deemed to be surrendered in the following priority order:

- (a) firstly, to the extent of that User's bundled non-Residual Capacity; and
- (b) thereafter, to the extent of that User's bundled Residual Capacity.

To the extent that the User has insufficient bundled NTS Entry Capacity available to fully satisfy the surrender offer, the User's bundled NTS Entry Capacity shall be deemed to be negative

(at the new UKCS ASEP):

- (a) firstly, to the extent of that User's non-Residual Capacity; and
- (b) secondly, to the extent of that User's Residual Capacity.

To the extent that National Grid NTS accepts a surrender offer which includes Residual Capacity, the Residual Capacity Rights will not attach to NTS Entry Capacity which National Grid NTS makes available to other Users during the relevant surrender period by virtue of that User surrendering the Residual Capacity.

User Pays

<p>Classification of the modifications as User Pays, or not, and the justification for such classification.</p>	<p>0501, 0501A, 0501B - No User Pays service would be created or amended by implementation of these modifications and they are not, therefore, classified as User Pays Modifications.</p> <p>Some participants consider that no User Pays service would be created or amended by implementation of 0501C and it should not, therefore, be classified as a User Pays modification, as it preserves the existing service provided to existing long term capacity holders in response to regulatory change.</p> <p>However, some participants consider 0501C should be considered as User Pays as it requires significant changes to systems and processes over and above those required implementing CAM requirements.</p>
<p>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.</p>	<p>Should Modification 0501C be defined as User Pays, costs are to be allocated based on capacity held at Bacton by Users post the reallocation of capacity.</p> <p>Some participants strongly disagreed that there is a need to consider such a split given that Modification 0501C cannot reasonably be considered to be a User Pays Modification as defined under the UNC.</p>
<p>Proposed charge(s) for application of User Pays charges to Shippers.</p>	<p>ROM for Modification 0501C indicates that a system solution would cost in the range of £415,000 to £490,000.</p> <p>An interim offline solution to operate between November 2015 and April 2016 with a cost not exceeding £50,000.</p>
<p>Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.</p>	<p>Transporters propose to submit an amended ACS.</p> <p>Some participants strongly disagreed with the Transporters seeking to change the ACS in the context of the legal definition as to what constitutes a User Pays Modification.</p>

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.	Impacted by 0501/0501A/0501B/0501C
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Impacted by 0501/0501A/0501B/0501C
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 for 0501/0501A/0501B/0501C

The Workgroup has identified the following impacts on the Relevant Objectives as follows:

Modification 0501 has been raised to reflect the Authority's "minded to" position to split Bacton into two separate ASEPs the purpose of which is to comply with EU Capacity regulations whereby UKCS is under UNC arrangements IPs are under EU Capacity regulations and is designed to respond to the unique structural changes needed to deliver CAM in the simplest manner.

It was noted that in these exceptional circumstances, where existing capacity holders' rights are proposed to be retrospectively altered very significantly, an equitably implemented split must be a primary consideration, including for the purposes of facilitating compliance with:

Relevant Objective b) Coordinated, efficient and economic operation of

- (i) the combined pipe-line system, and/ or**
- (ii) ii) the pipe-line system of one or more other relevant gas transporters**

Modification 0501

Some participants considered Modification 0501 to be a manifestly inadequate response to the exceptional circumstances facing Users at the Bacton ASEP, insofar as:

- (a) the modification's disregard to the existing rights of long-term capacity holders means that Shipper Users may be deterred from entering into long-term capacity commitments (in case the regulatory goalposts are moved on them), which may have negative implications for price signals to National Grid NTS should it need to develop new entry capacity in the future; and
- (b) existing capacity holders who have their capacity allocated at unwanted terminals in case of oversubscription and who cannot now use their capacity in a flexible way will have to send an incremental investment signal to regain the long-term capacity lost at their desired ASEP, which is likely to:
 - (i) result in lower utilisation of already booked capacity at the unwanted ASEP; and
 - (ii) lead to artificial constraint, and to unwarranted and inefficient applications for incremental capacity at Bacton ASEP (which may, in turn lead to unnecessary investment by National Grid NTS in response to artificial price signals).
- (c) the loss of fungibility seriously undermines value of existing long term capacity products and the ability of holders to use those products, the effect of which is that existing long term capacity products are now likely to be incorrectly priced.

It was acknowledged that a key premise of the capacity booking regime is encouragement of long-term capacity bookings to underpin efficient investment in the NTS. Any rule change which conflicts with this objective is likely to have an adverse impact on the facilitation of this objective, and as such, they noted that Modification 0501, if implemented, would be likely to have a deleterious impact on the coordinated, efficient and economic operation of the combined pipeline system.

Some participants consider that in totality, the above points combine to produce a negative impact for compliance with Relevant Objective b).

Modification 0501A

Some participants consider that 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 by 01 October 2020, which should be conducive with the intentions of CAM. Modification 0501A provides for similar benefits to be conferred on Bacton entry capacity and deliver equitable entry and exit regimes sooner.

In terms of other benefits, some participants expressed the view that Modification 0501A is likely to have the following benefits:

- (a) Long-term entry capacity products would be correctly priced;
- (b) neutral treatment of existing capacity holders such that there is no deterrence from Shipper Users entering into long term capacity commitments (no regulatory goalpost shift);
- (c) no negative implications for price signals to National Grid NTS should it need to develop new entry capacity and for security of supply; and

(d) practical difficulties with 2015 QSEC auctions averted.

In totality the above points combine to produce a positive impact for compliance with Relevant Objective b).

Modification 0501B

Some participants consider Modification 0501B 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. There may be 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 should be conducive the intentions of CAM. This modification provides for similar benefits to be conferred on Bacton entry capacity and deliver equitable entry and exit regimes sooner.

Some participants consider Modification 0501B is more consistent with the User Commitment model in that Users are only able to return Returnable Capacity, the capacity that is reallocated to a newly created Bacton ASEP against the requests of the Bacton User. Other participants commented that the User Commitment model is not relevant given the fundamental change in the nature of the existing capacity products.

In totality the above points combine to produce a positive impact for compliance with Relevant Objective b).

Some participants expressed concern that Modification 0501B does not correct the lack of fungibility – existing capacity holders would still be required to make an arbitrary ‘one-off’ election, which seriously undermines the value of the capacity product and the ability of holders to use it. Further, Modification 0501B does not address:

- (a) the inequitable treatment of existing capacity holders;
- (b) the loss of flexibility;
- (c) the shift in regulatory goalposts, all of which combine to have negative implications for price signals to National Grid NTS should it need to develop new entry capacity

Flexibility is important because in its absence Users may need to replicate existing bookings to achieve the same gas flows which may result in a disproportionate allocation of costs to those Users in combination with the potential trigger of artificial constraint and price signals by existing capacity holders. The same applies to Modification 0501A with the exception that the User has a choice to reset its capacity booking to reflect the new capacity regime.

In totality the above points combine to produce a negative impact for compliance with Relevant Objective b) for Modifications 0501A and 0501B.

Modification 0501C

Some participants expressed the view that Modification 0501C responds to the unique challenge created due to the implementation of CAM by restoring the value and flexibility balance in the context of substantive structural changes designed to deliver CAM as simply as possible. Similarly, some

participants believed that Modification 0501C recognises the unique and fundamental change at the existing Bacton ASEP through the creation of an asset-specific ASEP for Interconnector assets in circumstances where no long term signal or market price for guaranteed long-term availability of entry capacity has been made. Furthermore, that Modification 0501C has the following benefits:

- (a) enables market participants to accurately price forward capacity (thus no discouragement of market participation and/or forward booking of capacity);
- (b) neutral treatment of existing capacity holders such that there is no deterrence from Shipper Users entering into long term capacity commitments (no regulatory goalpost shift);
- (c) no negative implications for price signals to National Grid NTS should it need to develop new entry capacity and for security of supply; and
- (d) provides redress for existing capacity holders in terms of the diminution in market value of their capacity bookings in a fundamentally different landscape.

One participant was concerned that Modification 0501C allows the purchase of bundled capacity, which is later rebated. This may lead to sterilised capacity with potential 'knock on' effects for other TSOs' capacity across the IP (Interconnection Point) and therefore has a negative impact on Relevant Objective b).

Modifications 0501A, 0501B and 0501C

Some 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 and therefore further Relevant Objective b).

Relevant Objective 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**

Modification 0501

Some participants consider that Modification 0501 is manifestly inadequate in terms of facilitating compliance with Relevant Objective d), particularly insofar as:

- (a) the price paid by long-term capacity holders was based on a radically different value and flexibility proposition, and as such, existing capacity products are likely to be incorrectly priced going forward, the effect of which is likely to discriminate against existing capacity holders at Bacton and to confer a cross-subsidy to the rest of the shipper community;
- (b) there is no recognition of the radical change to the Bacton capacity market through the creation of an asset-specific ASEP for Interconnector assets in circumstances where no long term signal or market price for guaranteed long-term availability of entry capacity has been made;
- (c) a User may be allocated capacity at a new Bacton ASEP at which that User is unable to utilise the capacity (because the User is allocated capacity at an unwanted ASEP), which may enable National Grid NTS to release more discretionary and interruptible capacity, which in combination represents a cross subsidy by existing capacity holders to the rest of the shipper community;

- (d) existing capacity holders will be prevented from exercising their existing rights to flexibly support flows via any sub-terminal contained within the Bacton ASEP, the effect of which is that capacity bookings may need to be replicated in order to achieve the same gas flows, resulting in a disproportionately high allocation of capacity costs to such Users; and
- (e) existing capacity holders at Bacton may be subjected to discriminatory treatment vis-à-vis holders of capacity at other ASEPs:
 - (i) whose existing rights are not being retrospectively altered;
 - (ii) who may continue to use their capacity flexibly to support flows via any sub-terminal contained within a single ASEP; and
 - (iii) whose existing rights are not subjected to a diminution in value.

In totality the above points combine to produce a negative impact for compliance with Relevant Objective d).

Modification 0501A

Some participants considered that Modification 0501A:

- (a) addresses incorrect pricing of capacity products for existing capacity holders;
- (b) prevents discrimination against existing capacity holders and the cross-subsidy to rest of shipper community (impact on effective competition averted);
- (c) eliminates the unfair and inefficient pricing of existing capacity (thus no distortion of the capacity market as between shippers);
- (d) enables market participants to accurately price forward capacity, thus no discouragement of market participation and/or forward booking of capacity; and
- (a) provides redress for existing capacity holders in terms of the diminution in market value of their capacity bookings.
- (b) eliminates the unfair and inefficient pricing of existing capacity both at the new Bacton ASEPs and more widely as compared to other ASEPs which are not subject to “splitting” (thus no distortion of the capacity market as between shippers).

In totality the above points combine to produce a positive impact for compliance with Relevant Objective d).

Modification 0501B

Some participants expressed the view that Modification 0501B does not alleviate all the issues, which apply in respect of Modification 0501; the price paid for existing capacity products does not reflect the new terms, which represents a cross-subsidy to the rest of the shipper community (contrary to effective competition between shippers). Similarly, 0501B does not seek to preserve flexibility rights attributable to existing capacity and therefore has a negative impact on Relevant Objective d).

Modification 0501C

Some participants believe that Modification 0501C establishes a value and flexibility balance for existing capacity holders insofar as it seeks to:

- (a) address the incorrect pricing of capacity products for existing capacity holders;

- (b) rectify the competitive imbalance posed by the creation of an asset-specific ASEP for Interconnector assets in circumstances where no long term signal or market price for guaranteed long-term availability of entry capacity has been made;
- (c) preserve the flexibility inherent in the existing capacity products to prevent artificial constraint and price signals which would be likely to result in a cross-subsidy by existing capacity holders to the rest of the shipper community; and
- (d) eliminate the unfair and inefficient pricing of existing capacity both at the new Bacton ASEPs and more widely as compared to other ASEPs which are not subject to “splitting” (thus no distortion of the capacity market as between shippers).

In totality the above points combine to produce a positive impact for compliance with Relevant Objective d).

Modifications 0501A, 0501B and 0501C

Some participants expressed the view that the Bacton ASEP split is one-off event bespoke to Bacton in the context of material regulatory change. In light of these exceptional circumstances there may be an adverse impact on existing capacity holders, and some participants strongly believed that definitive action is required to address the fundamentally discriminatory and negative treatment of existing capacity holders. Existing shippers must be given a right to adapt their bookings to the fundamentally changed circumstances; any other course of action would result in a de-facto subsidy to other shippers.

Some participants were concerned that these modifications allow the User to hand back capacity, despite having previously committed to holding capacity under a long term User commitment; they believe this may well result in a redistribution of cost, from those who booked Bacton NTS Entry and chose to return it, to all other system Users via the NTS commodity charge. Some participants were concerned that this is anecdotal and the impact is uncertain through time because future capacity bookings are unknown and it cannot be assumed that capacity will not be re-booked following any such hand-back, potentially at higher prices. Whilst this may be the case, one participant considered that the potential cost reallocation be highlighted to all system Users.

Some participants consider that where Shipper Users want to retain the flexibility they currently have, there is the risk that more capacity is withdrawn from the market than may be necessary. However, others suggested that the risk is relatively remote and quantities limited.

Relevant 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

All participants consider all of 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 would 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 underlying principle of the European Codes.

5 Implementation

No implementation timescales are proposed. It should be noted that the European Commission has specified the Regulation on Capacity Allocation Mechanisms will apply from 01 November 2015.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

Yes, the implementation of one of these modifications is required to ensure Bacton ASEP is compliant following the implementation of CAM Code and associated European legislation which takes effect from October/November 2015 and therefore could have a significant impact on European Code changes obligations in the UK.

System Impacts

The Transporters advise that there are systems costs associated with the implementation of Modification 0501C but no additional costs associated with Modifications 0501, 0501A and 0501B.

A ROM has been provided for Modification 0501C and it indicates that a system solution would cost in the order of £415,000 to £490,000. However, it is unlikely this solution would be delivered in time for October 2015 and would be planned for during the April 2016 systems release. An interim offline solution would be considered between November 2015 and April 2016 with a cost not expected to exceed £50,000.

7 Legal Text

Text Commentary

Draft text commentary was provided by National Grid NTS for review by the Workgroup. The final version was provided for consideration during consultation, and is published alongside this report.

Text

The Text, which is published alongside this report, has been prepared by National Grid NTS for Modifications 0501, 0501A and 0501B, and no issues were raised by the Workgroup regarding its content.

Draft text relating to Modification 0501C was provided by National Grid NTS for review by the Workgroup. The final version was provided for consideration during consultation. No issues have been raised regarding its content.

TheText relating to all four modifications is published alongside this report.

8 Consultation Responses

Summary of Responses (15)

Organisation	0501	0501A	0501B	0501C
BG International	Oppose	Neutral	Neutral	Support
British Gas Trading Limited	Oppose	Support	Qualified Support	Neutral
Centrica Storage Limited	Oppose	Support	Support	Neutral
ENI UK Ltd	Oppose	Qualified Support	Oppose	Support
GasTerra B.V.	Oppose	Support	Neutral	Oppose
Gazprom Marketing & Trading Ltd	Oppose	Qualified Support	Oppose	Support
Hess Energy	Oppose	Support	Oppose	Support
National Grid Gas Transmission (NTS)	Support	Oppose	Oppose	Oppose
Oil & Gas UK	Oppose	Support	Oppose	Support
Perenco UK Limited	Oppose	Support	Oppose	Support
RWE Supply & Trading GmbH	Oppose	Support	Support	Comments
South Hook Gas Ltd	Oppose	Support	Oppose	Support
SSE	Oppose	Support	Support	Neutral
Wales & West Utilities	Support	Support	Support	Support
WINGAS GmbH	Comments	Comments	Comments	Comments
Oppose	12	1	7	2
Support	2	10	4	8
Qualified Support		2	1	3
Neutral		1	2	
Comments	1	1	1	2
TOTALS	15	15	15	15

Preference expressed, if any

Of the 15 representations received, 14 expressed a preference (either single or multiple).

Of the 9 parties who expressed a single preference:

- Modification 0501 was preferred by 1 party
- Modification 0501A was preferred by 3 parties
- Modification 0501B was preferred by 4 parties
- Modification 0501C was preferred by 1 party.

Of the 5 parties who expressed a multiple preference:

- Modification 0501A and Modification 0501C were preferred (as either 'and' or 'or') by all 5 parties.

Representations received

Representations are published alongside the Final Modification Report.

Organisation	Mod	Response	Facilitation of Relevant Objectives (b, d and g)	Prefer	Comments (on preferred order)
BG International	0501	Oppose	Agreed with Workgroup's observations	0501C	
	0501A	Neutral	Agreed with Workgroup's observations		
	0501B	Neutral	Agreed with Workgroup's observations		
	0501C	Support	Agreed with Workgroup's observations		
British Gas Trading Limited	0501	Oppose	b) No d) No g) Yes	0501A	
	0501A	Support	b) Yes d) Yes g) Yes		
	0501B	Qualified Support	b) Yes d) Yes		

			g) Yes		
	0501C	Neutral	b) Yes d) Yes g) Yes		
Centrica Storage Limited	0501	Oppose	b) No d) No g) Yes	0501B	
	0501A	Support	b) Yes d) Yes g) Yes		
	0501B	Support	b) Yes d) Yes g) Yes		
	0501C	Neutral	b) Yes d) Yes g) Yes		
ENI UK Ltd	0501	Oppose	b) No d) No g) Yes	0501C and 0501A	Supports Modifications 0501A and 0501C, as these Modifications most effectively facilitate compliance with the Relevant Objectives.
	0501A	Qualified Support	b) Yes d) Yes g) Yes		
	0501B	Oppose	b) No d) No g) Yes		
	0501C	Support	b) Yes d) Yes g) Yes		
GasTerra B.V.	0501	Oppose	No view expressed	0501A	
	0501A	Support	No view expressed		
	0501B	Neutral	No view expressed		
	0501C	Oppose	No view expressed		

Gazprom Marketing & Trading Ltd	0501	Oppose	Questioned if in line with all the ROs	0501C and 0501A	0501C first choice 0501A second choice
	0501A	Qualified Support	No view expressed		
	0501B	Oppose	No view expressed		
	0501C	Support	No view expressed		
Hess Energy	0501	Oppose	No view expressed	0501A and 0501C	Prefer 0501A/0501C
	0501A	Support	No view expressed		
	0501B	Oppose	No view expressed		
	0501C	Support	No view expressed		
National Grid Gas Transmission (NTS)	0501	Support	b) No d) No g) Yes	0501	
	0501A	Oppose	b) No d) No g) Yes		
	0501B	Oppose	b) No d) No g) Yes		
	0501C	Oppose	b) No d) No g) Yes		
Oil & Gas UK	0501	Oppose	b) No d) No g) Yes	0501A or 0501C	
	0501A	Support	b) Yes d) Yes g) Yes		
	0501B	Oppose	b) No		

			d) No g) Yes		
	0501C	Support	b) Yes d) Yes g) Yes		
Perenco UK Limited	0501	Oppose	b) No d) No g) Yes	0501A or 0501C	
	0501A	Support	b) Yes d) Yes g) Yes		
	0501B	Oppose	b) No d) No g) Yes		
	0501C	Support	b) Yes d) Yes g) Yes		
RWE Supply & Trading GmbH	0501	Oppose	b) No d) No g) Yes	0501B	
	0501A	Support	b) Yes d) Yes g) Yes		
	0501B	Support	b) Yes d) Yes g) Yes		
	0501C	Comments	b) Yes d) Yes g) Yes		
South Hook Gas Ltd	0501	Oppose	b) - d) No g) Yes	0501A	
	0501A	Support	b) - d) Yes g) Yes		

	0501B	Oppose	b) - d) - g) Yes		
	0501C	Support	b) - d) Yes g) Yes		
SSE	0501	Oppose	b) No d) No g) -	0501B	Prefer 0501B, then 0501A, then 0501C.
	0501A	Support	b) Yes d) Yes g) -		
	0501B	Support	b) Yes d) Yes g) -		
	0501C	Neutral	b) Yes d) Yes g) -		
Wales & West Utilities	0501	Support	b) - d) - g) Yes	0501B	
	0501A	Support	b) Yes d) Yes g) Yes		
	0501B	Support	b) Yes d) Yes g) Yes		
	0501C	Support	b) Yes d) Yes g) Yes		
WINGAS GmbH	0501	No view expressed	No view expressed	No view expressed	
	0501A	No view expressed	No view expressed		
	0501B	No view expressed	No view expressed		

	0501C	No view expressed	No view expressed		
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Views expressed in response to questions raised by UNC Modification Panel as part of this Consultation

Q1: Do you agree Modification 0501C should be considered a User Pays Modification; if so do you agree with the proposed split for recovering costs?

Organisation	Response
BG International	No additional service or benefit being provided to capacity holders; 0501C preserves the service originally bought by Users.
British Gas Trading Limited	Does not agree that 0501C should be considered as a User Pays Modification. The proposal is in response to external change requirements and attempts to retain some of the value and flexibility of the current Bacton entry capacity. The proposal to levy all (if any) User Pays costs on holders of capacity at Bacton following the reallocation exercise would further penalise the affected shippers – they will be left with an inferior product (compared with now) and have to make additional payments for its provision.
Centrica Storage Ltd	The aim of 501C is to maintain, as far as possible, the existing entitlements of Bacton Users to use their capacity across both IP and UKCS entry points. Users would have factored this entitlement when booking Bacton Entry Capacity and therefore have paid for this ability. Further, this amendment is attempting to ensure that Users at Bacton are not disadvantaged compared to other network users where the fungibility of booked entry capacity is not being impacted on by the TAR NC.
ENI UK Ltd	Strongly disagrees with Modification 0501C being characterised as a User Pays Modification. The Modification merely seeks to preserve the current services provided to existing long term capacity holders in response to regulatory change: no User Pays Service would be created or amended by implementation of Modification 0501C and as Proposer, eni has not, therefore, classified the Modification as a User Pays Modification. Eni has provided further analysis in the Appendix to its representation.
GasTerra B.V.	Some adjustments in this Modification are not necessary for National Grid (NG) to be CAM compliant. Therefore GasTerra does agree this is a User Pays Modification. Although GasTerra is not in favour of Modification 0501C, if NG decides to implement Modification 0501C, GasTerra agrees with the proposed split for recovering costs.
Gazprom Marketing & Trading Ltd	No view expressed.
Hess Energy	Users should not have to pay for changes that give them the same rights that they have already paid for.
National Grid Gas Transmission (NTS)	In line with the User Pays Guidance Document it is National Grid NTS's view that Modification 0501C should be considered as a User Pays Modification as it requires changes to Xoserve core systems and business processes, over and above those required to implement the CAM requirements. Dependent on when IT systems, associated with Modification 0501C, can be delivered there may be a

	<p>need to manage the process offline until the system functionality could be delivered as part of a future EU release. National Grid NTS would not normally operate regime changes offline due to the potential risks inherent with offline processes. The User Pays charge would be made up of costs for the interim offline processes and for the IT systems solution.</p> <p>National Grid NTS has developed Modification 0501 based on a one off process that does not necessitate IT system changes. National Grid NTS has stated from the outset and throughout the 0501 Development Workgroups that, in its opinion, having regard to the User Pays rules, Modification 0501C fits within the definition of User Pays. Furthermore only a sub set of GB Users (those with residual rights at Bacton) would benefit from this Modification and on that basis costs associated with this should be targeted accordingly:</p> <ul style="list-style-type: none"> · 100% of the charge should be attributable to shipper Users who are confirmed as holding Re-allocated Capacity at the Bacton (UKCS & IP) ASEPs. Each User should bear its proportion of the total charge in accordance with its total holding of re-allocated capacity, as adjusted by relevant transfers, compared to the total holdings of re-allocated capacity, across the entire Modification 0501C re-allocation period. This will be calculated upon completion of the re-allocation process. <p>In circumstances where a User or a Transporter does not agree with a Modification being User Pays it would be normal for the User or Transporter to raise an alternate Modification amending the User Pays element. Due to Modification 0501C being raised as an alternate to Modification 0501, this was not an option for National Grid NTS on this occasion. Consequently, in line with 12.8.1 of the Modification Rules, National Grid NTS has sought a view from Ofgem by submitting a proposed change to the Agency Charging Statement.</p>
Oil & Gas UK	No, Oil & Gas UK does not agree that 501C should be considered as a User Pays Modification. The splitting of Bacton capacity has been imposed on the GB regime and Modification 0501C deserves to be seen as a sensible attempt to mitigate the adverse consequences of the change.
Perenco UK Limited	Perenco does not believe it appropriate for Users to pay for modifications which merely preserve rights for which they have already paid.
RWE Supply & Trading GmbH	It is not clear to RWE that this is a User Pays Modification.
South Hook Gas Ltd	South Hook Gas does not agree that Modification 0501C should be considered as User Pays, as it is doing little more than preserving a right which was established at the time the contract for capacity was entered into.
SSE	No, external EU code requirements have driven these changes.
Wales & West Utilities Ltd	Wales & West Utilities does not agree that Modification 0501C is User Pays, while it is true that it has implementation costs whereas Modifications 0501, 0501A or 0501B do not, its sole purpose is to enable the continued delivery of an existing service.
WINGAS GmbH	No view expressed.

Q2: Do you have any specific views on the optionality to flow (as proposed by Modification 0501C) following the proposed creation of the Bacton and IP ASEPs?

Organisation	Response
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BG International	Supports. Seeks to maintain the product and flexibility that Users originally committed to purchase. Believes that this will reduce the risk of artificial constraints and unwarranted incremental investment signals to National Grid.
British Gas Trading Limited	Retaining such optionality to flow via an aggregate overrun regime is consistent with the current usage of entry capacity at Bacton. From a commercial perspective this is reasonable, attractive and in tune with having efficient access to the network for flowing gas. From an operational perspective it is less attractive and would require bespoke operational controls to ensure full and efficient use of capacity.
Centrica Storage Ltd	CSL agrees that optionality to use entry capacity across the different system entry points is a factor that Users will take into consideration when valuing entry capacity. The changes proposed at Bacton to implement the TAR NC will reduce this optionality for some Users. However, CSL is not in a position to predict whether the net benefits of the proposed overrun arrangements will be positive overall. In likelihood, the limitations on using the overrun facility and overall utilisation of the service may not justify the costs to operate the service and the additional complexity it adds to the UNC.
ENI UK Ltd	Modification 0501C delivers the original Bacton ASEP optionality to flow across the two new ASEPs for existing long term Bacton entry capacity holders, nothing more and nothing less.
GasTerra B.V.	Does not see the need of the optionality to flow to both ASEPs. This modification undermines the process of actually getting Users to pick one ASEP or the other in the reallocation process. This increases the risk of an unwanted outcome for the Users, especially for the Users who are not interested in having optionality between the two ASEPs but are focused on getting capacity at a specific ASEP.
Gazprom Marketing & Trading Ltd	No view expressed.
Hess Energy	No view expressed.
National Grid Gas Transmission (NTS)	Currently Bacton Users utilise the entry capacity product that they have purchased to flow across the various Bacton sub-terminals. It is a clearly stated aim of Modification 0501C to preserve those rights for existing long-term capacity holders. The significance or not of that flexibility is for each holder of entry capacity to articulate for themselves. Interested parties have different priorities and hence each of the alternate proposals has a different focus. National Grid NTS is neutral to the specific issue of optionality with regard to an aggregate overrun at this specific ASEP. However National Grid NTS has a number of concerns relating to the combination of an aggregate overrun combined with the other elements of 0501C.
Oil & Gas UK	Modification 0501C will preserve the flow optionality for existing long-term capacity holders and will help to mitigate the adverse consequence for gas trading arising from the unwelcome need to split the existing Bacton ASEP. This is consistent with the principles of efficient access to network capacity and efficient gas market operation.
Perenco UK Limited	Modification 0501C preserves the optionality of the original product.
RWE Supply & Trading GmbH	The reality is that regardless of whether the Bacton baseline is split or not, the physical amount of gas that can be delivered to Bacton on any day remains the same. RWE support the introduction of an aggregate overrun regime to facilitate flow optionality and still believe that this could represent an enduring solution at Bacton. Under a split baseline, where the total quantity of a shipper's inputs at Bacton from various sources is less than its combined UKCS and IP entry capacity

	holdings, it is not penalised, even if its flow at one of the two Bacton entry points exceeds its capacity holding at that specific point.
South Hook Gas Ltd	The current Bacton entry capacity product, by its very nature, provides for an optionality to flow. Proposal 0501C goes some way to preserving this optionality.
SSE	Retaining optionality to flow via an aggregate overrun regime is consistent with current arrangements and desirable. However, costs and complexity as proposed make this less attractive.
Wales & West Utilities Ltd	The option to flow is one of the features of Modification 0501C that aids Bacton Shippers and seeks to restore flexibility. If it does not impose additional costs on non-Bacton Shippers then it is beneficial.
WINGAS GmbH	No view expressed.

Q3: Modification 0501C proposes that Shipper Users with Bacton UKCS Residual Capacity, and that need to buy Bacton IP bundled capacity in order to flow via an interconnector, should receive a rebate for the additional Bacton capacity that was purchased. What are your views on whether the Shipper User should offer one of the elements of the Bacton capacity back to the market in advance of the particular gas day in order to receive the rebate? Conversely, what are your views on providing a rebate if the Shipper User retains the optionality to flow via both routes (whether or not they actually choose to do so)?

Organisation	Response
BG International	Does not agree that Users should have to pay twice for the same product, which will be the case for a holder of Bacton entry capacity who must purchase bundled capacity if it wishes to flow via an interconnector. Capacity provides a shipper with the optionality to flow, not an obligation, so this should apply whether or not a shipper actually chooses to flow against that capacity.
British Gas Trading Limited	In the event that a shipper has no option other than to buy bundled Bacton IP capacity (being unable to match some of its current unbundled Bacton capacity with an adjacent TSO's unbundled exit capacity) then it would be reasonable for a rebate to be made to the shipper. In retaining optionality to flow a shipper is attempting to retain some of the current flexibility it has when flowing gas into the NTS via Bacton and it should not be penalised for this. The important point is that shippers should not have to pay for capacity twice.
Centrica Storage Ltd	As noted above, CSL is sympathetic to the aims of Modification 0501C in that existing Bacton Users should not be doubled charged for using Bacton. Most of these Bacton Users would have purchased their entry capacity at Bacton well before the TAR NC was envisaged and could therefore not predict that regulatory change would destroy the fungibility attached to their booked capacity.
ENI UK Ltd	Under the new CAM regime, a holder of residual capacity may have to choose commercially to buy a bundled product at the IP ASEP as the only way to utilise its residual entry capacity at the IP ASEP. If this occurs it is only reasonable that the User receives a rebate for the UKCS entry charge embedded within the bundled product price, otherwise the User would be penalised by having to pay for NTS entry capacity twice. A "send-or-pay" capacity product provides the right to flow gas and is paid for whether or not a user chooses to flow at any particular time. It provides the User with an option to flow right up to the deadline by which a flow change nomination needs to be made. On the NTS this lead-time is currently two hours. 'Use It or

	<p>'Lose It rules' are enshrined in the regulatory regime which ensure that already booked capacity is made available to the meet market demand if a User consistently does not flow over time. Those rules will continue to apply and, in eni's view, there is no reason therefore to make specific adjustments in implementing Modification 0501C.</p>
GasTerra B.V.	<p>GasTerra does not support the rebate proposal in the 0501C Modification. In Modifications 0501A and 0501B the Users have the option to give their unneeded/ wrongly allocated capacity back to National Grid. When the Users need bundled capacity after the allocation process they are entitled to buy the product. These options should be sufficient for the Users to prevent they will end up with unneeded capacity, or pay twice for the "same" capacity.</p>
Gazprom Marketing & Trading Ltd	<p>No view expressed.</p>
Hess Energy	<p>No view expressed.</p>
National Grid Gas Transmission (NTS)	<p>In relation to Modification 0501C unutilised reallocated Bacton capacity at either of the two new Bacton ASEPs, can be used to offset the National Grid NTS element of a bundled product charge, not solely at the Bacton UKCS. This point as National Grid NTS understands it was raised and discussed within the Workgroup. It was suggested that at the point that a User chooses to purchase bundled capacity e.g. (at the IP) then it should then surrender capacity (at Bacton UKCS) that it does not require, back to the market. This has not been proposed as part of Modification 0501C. It is difficult to assess how much bundled capacity would be purchased (and be eligible to receive a rebate) as a result of implementation of Modification 0501C. However, it is apparent that an amount up to and including the aggregate re-allocated capacity at both ASEPs could be purchased as bundled capacity at the IP and thus eligible for rebate where the corresponding quantity of reallocated capacity is subsequently unutilised. This question has arisen out of a concern that capacity could become sterilised as a result of the existence of the 0501C rebate. It is National Grid NTS's view that if unbundled capacity is available the User should buy it rather than buying bundled capacity. The Modification does not enforce this and in this respect could be viewed as inefficient.</p> <p>There are potential solutions to these concerns but it would be very challenging to develop new Modifications, provide the system functionality to support them and implement within the timescales required. Creating a rebate that only applies in certain circumstances will add complexity and is not part of the current Modification.</p> <p>This outcome is an impact of CAM implementation and bundling itself, it does not arise because of the need to split the Bacton ASEP i.e. if a User wants to flow gas through any IP then bundled IP capacity is the primary capacity mechanism and even if the Bacton ASEP was not to be split (e.g. the whole of the Bacton ASEP designated as an IP) this would still be the case. The proposal for a rebate accompanies a view that a User with reallocated Bacton capacity should be compensated if it purchases bundled IP capacity, because they have had to buy Bacton capacity twice to prevent diminution of existing contract value.</p>
Oil & Gas UK	<p>Oil & Gas UK believes that in cases where it is possible to purchase only bundled IP capacity, a rebate for the UKCS entry capacity is reasonable and appropriate. The rebate should not be made dependent on further conditions.</p>
Perenco UK Limited	<p>A rebate is reasonable if a User has no other option to obtain the services it requires than by buying a bundled service. The physical capacity used does not change. If capacity is required it is still available to the system under the use it or lose it arrangements.</p>
RWE Supply &	<p>RWE supports the principle of a rebate mechanism where holders of capacity need to buy additional, bundled capacity at the IP ASEP. Users will pay for</p>

Trading GmbH	capacity whether or not they flow against it and RWE's view is that it is for National Grid to take a view whether gas flows are likely against these capacity rights and to release the capacity at its discretion. The decision making process should be under the same UNC rules that apply to all capacity and RWE sees no strong argument for different, more restrictive arrangements at Bacton.
South Hook Gas Ltd	<p>There should be no obligation to offer capacity back to the market ahead of the day as the value of the option to use that capacity will not be fully realised until the Gas Day, to which the capacity is assigned to, has expired.</p> <p>Again, a rebate should apply irrespective of the actual flow activity. The purchase of capacity is not a commitment to flow, but a right to flow and the shipper which purchased the capacity prior to the split, did so in the knowledge that it could execute the option to flow irrespective of the origin of the supply.</p>
SSE	In the event that a shipper has to buy bundled Bacton IP capacity, if it was unable to match some of its current unbundled Bacton capacity, then it is reasonable for a rebate to be made to the shipper as they should not have to pay twice for capacity.
Wales & West Utilities Ltd	The Shipper should be obliged to offer the capacity back to the market in advance of the Gas Day otherwise it is obtaining flexibility at zero cost while sterilising capacity.
WINGAS GmbH	No view expressed.

Q4: What do you think the impact will be on the TO entry commodity charge of the possibility to hand back capacity in each of the alternative Modifications 0501A, 0501B and 0501C?

Organisation	Response
BG International	It is extremely difficult to comment on the impact of each of the Modifications on TO entry commodity charges. We do not know how holders of Bacton entry capacity will behave following implementation of a particular modification, how much capacity will be held and how much will be returned to National Grid. In addition, there needs to be more clarity on the impact on TAR and the outcome of the review of Gas Transmission Charging Review (GTCR).
British Gas Trading Limited	This will depend on the extent to which capacity is returned to National Grid. It will also depend on new charging arrangements (e.g. floating capacity charges) that may arise from the eventual implementation of the European Tariff Code and Ofgem's Gas Transmission Charging Review. It is equally valid to ask what the impact would be if proposal 0501 were implemented (where there is no capacity hand-back). In relation to proposal 0501 the implicit question changes from "should the implications of the Bacton ASEP split be partly shared by all Users?" to "should the implications of the Bacton ASEP split be targeted only on Bacton Users?". In other words, should the implementation of CAM impact on all Users in a proportionate way or should Bacton ASEP Users bear a higher level of risk and cost which might be regarded as discriminatory?
Centrica Storage Ltd	<p>It is reasonable to expect that there will be some redistribution of networks costs should some Users return Bacton entry capacity under any of the proposed alternative modifications. However, it is unreasonable to expect that any Network Users can predict what the cost or implications on the Network may be. Individual users do not know: who holds capacity, how those users use their capacity, or how much those users agreed to pay for that capacity. Further, Users cannot predict how much of the returned capacity is likely to be rebooked.</p> <p>The only parties that may have been able to complete and present such analysis are Ofgem and National Grid. CSL notes that no such detailed analysis was</p>

	<p>provided to the workgroup during the development of the alternative modifications and hence could not be included in the draft modification report.</p> <p>Returning to the premise of the question, even if Bacton capacity is returned and there is some redistribution of network charges, it is not evident that such a redistribution would necessarily be inefficient, inequitable or detrimental to competition or the operation of the network.</p> <p>Finally, CSL considers that the efficiency and equity of network charging arrangements will be determined by the outcomes of the NC TAR and Ofgem's transmission charging review to a far greater extent than any of the proposed alternative modifications.</p>
ENI UK Ltd	<p>Some Users may be concerned that these alternatives allow other Users to hand back some or all capacity, despite having previously committed to holding capacity under a long term User commitment. The concern is that an ability to return capacity may result in a redistribution of cost, from those who booked Bacton NTS Entry to all other system Users via the NTS commodity charge. However the actual effect cannot be known today because future capacity bookings are unknown, future charging methodologies may change and it cannot be assumed that capacity will not be re-booked following any such hand-back, potentially at higher prices.</p> <p>CAM aims to improve the access and encourage utilisation of Interconnectors to drive market efficiencies across Europe to deliver lower prices for consumers. Both these benefits offset any potential redistribution (although eni remain unconvinced that there will be such a redistribution).</p>
GasTerra B.V.	<p>In Modification 0501B Users can hand-back less not needed capacity, so the impact on the TO charges will be the least. In Modification 0501A the changes in TO charges will be higher, because Users, beforehand or afterwards, can hand-back not needed capacity. In Modification 0501C the risk of Users not requesting their 'real' requirement is higher, because of the "overrun rule" which forms also part of Modification 0501C. That will most likely lead to more Users receiving capacity at an ASEP where they do not need the capacity, leading to more not needed capacity being handed-back and consequently leading to higher TO charges. The difference with Modification 0501A, where Users can also hand-back all not needed capacity, is that with Modification 0501A parties are more challenged to request for capacity which they really need (because they can't rely on the "overrun rule").</p>
Gazprom Marketing & Trading Ltd	No view expressed.
Hess Energy	No view expressed.
National Grid Gas Transmission (NTS)	<p>Any hand back of capacity will to a greater or lesser extent (depending on the quantity of capacity to be returned) increase the TO Entry Commodity charge to all system users at all ASEP Entry points on the NTS and it is important to highlight this, especially as non Bacton Users would be affected by these alternate Modifications.</p> <p>Every £10m reduction in Entry Capacity Revenue would result in 0.0016 p/kWh increase in the TO Entry Commodity Charge, based on the Commodity Charge which is applicable from 01 April 2015. This equates to a 4% increase in the TO Entry Commodity Charge applicable from 01 April 2015. The information provided to the Workgroup was based on the TO Entry Commodity Charge applicable for 01 October 2014 and equated to 6%.</p> <p>Each affected party may take a view regarding these impacts based on their own position at Bacton, their position at other Entry points and their own position with regard to hand back and future requirements at each of the Bacton ASEPs.</p> <p>Capacity hand back would undoubtedly impact charging volatility. The timing of the</p>

	charge setting and when the hand back takes place, dictates when the increases would take effect.
Oil & Gas UK	It is not possible to assess this effect in advance since it will depend on the extent of any return of Bacton capacity, the extent of future capacity bookings and, of course, the outcome of Ofgem's proposed reform of the GB regime (GTCR) and the final EU TAR network code.
Perenco UK Limited	It is not possible to predict over the length of time that the legacy arrangements are contracted for what the impact on the commodity charge will be. The impact will be dependent on the following: <ul style="list-style-type: none"> (i) amount of capacity handed back; (ii) the difference in price at which legacy capacity was purchased and the price of capacity under the new arrangements; (iii) any increased revenues derived from sales of capacity over and above that currently contracted (iv) whether this will have a material impact on National Grid's cost of running the system.
RWE Supply & Trading GmbH	This is difficult to assess and some analysis setting out potential ranges and materiality of the impact on the TO entry commodity charge would have been helpful. It is likely that capacity that is handed back will be acquired by Users that value it in light of their intended gas flows at each of the new ASEPs.
South Hook Gas Ltd	It is impossible to forecast the actual impact as this will be dependent upon a number of "unknowns", most specifically, the volumes which are handed-back and the volumes which are subsequently purchased.
SSE	It may increase depending on the level of return, but a number of factors such as the EU tariff code and the Ofgem lead GTCR may reduce the impact.
Wales & West Utilities Ltd	Modification 0501C offers more ability to hand back capacity than Modification 0501A which offers more ability to hand back capacity than Modification 0501B. Wales & west Utilities therefore think that the impact on the TO commodity charge will be greater for Modification 0501C than Modification 0501A which in turn will be greater than for Modification 0501B. Given that this will affect shippers at ASEPs other than Bacton Wales & West Utilities believes that this effect should be minimised as far as possible as it imposes a net cost on these shippers.
WINGAS GmbH	No view expressed.

New or Additional Issues raised

British Gas Trading

The Authority's decision on how to set the capacity baseline levels at the two new Bacton ASEPs will have an important bearing on how effectively each of the proposals will deliver an acceptable solution to shippers. If there is an over- subscription for capacity at one of the new ASEPs then this could artificially lock out gas to GB and have a negative impact on NBP liquidity and security of supply.

Splitting the Bacton ASEP is necessary for the implementation of the European Capacity Allocation Mechanisms code but it is a retrograde step and one that directly and negatively impacts on the value and flexibility of shippers' current entry capacity holdings. The current capacity holdings were purchased in good faith but now the product offering, access to the products (and, possibly price of the products) will be changed. It is important that shippers have a reasonable opportunity to respond to these changes, to

re-evaluate and to re-determine the quantities of capacity they hold in the face of such changes.

British Gas Trading notes that during the development of proposal 0501 Ofgem was asked to comment on the legality of simply reallocating current entry capacity entitlements to the two new ASEPs and ignoring the existing contractual rights of Bacton shippers. No comment was provided.

Centrica Storage Limited

CSL strongly believes that the implementation of any modification that does not allow for the return of Bacton capacity will have a long run detrimental impact on the GB User Commitment model for long term capacity booking. This is because investors need a reasonable level of certainty when committing millions of pounds over long periods. No Bacton User who booked long term entry capacity before 2012 could have reasonably predicted the level of change or potential significant impact on their entitlements or costs due to the implementation of the Third Energy Package and the subsequent TAR NC. If the Panel and ultimately Ofgem do not provide for capacity return it is extremely unlikely that Users will be willing make long term commitments to entry capacity in future.

ENI UK Ltd

Splitting the Bacton ASEP is a unique and complex challenge. It should allow the Modification Panel and Ofgem the opportunity to consider the acceptability of capacity hand-back to minimise impacts on all Users and establish a competitive level playing field for capacity at Bacton moving forward and only accept the need for costly complexity where it delivers a more balanced solution in meeting the Relevant Objectives.

In aiming to deliver the lowest prices to consumers through bringing the full European market opportunity to bear it is important that pricing signals allow the Interconnectors to flow in both directions in a timely and consistent manner. Therefore it is essential that any decision ensures that the entry and exit capacity regimes are as aligned as they can possibly be.

A decision has already been taken to end date the Enduring Exit Capacity product at the IP as the product is non CAM compliant. However, under all 0501 modifications any User's capacity that remains could exist at the IP ASEP and reflecting existing bookings consist only of winter quarterly strips (4Q and 1Q bookings) for many years to come. Such a product is non CAM compliant as the only medium to long term products allowed are annual capacity strips over the following 15 years or quarterly capacity strips sold only on a year ahead basis. Such residual capacity is not recognised by CAM and therefore cannot gain matching Interconnector capacity to secure its use through a CAM Capacity Auction until the year ahead. Therefore its long term nature, usefulness and value have disappeared, further justifying capacity return which at the same time ensures equal treatment of the non CAM entry product.

A further illustration of the complexity that comes with a Bacton split is the Ofgem indication that in future entry capacity at the IP ASEP can be substituted away to the UKCS ASEP leaving the Interconnectors short. The substitution process itself demonstrates the inequality of the IP ASEP being assigned its optimum obligated capacity without any price signal as, for the UKCS ASEP to then regain that capacity through substitution, a User would have to submit a price commitment through a QSEC bid meeting a significant investment threshold before capacity could be substituted across some 42 months later. This also assumes that no low cost retention reservation existed at the donor ASEP. In addition eni understands the Interconnectors' position, presented in submissions to Ofgem's recent consultation on the licence change to deliver the Bacton split, arguing for the IP ASEP entry capacity to be protected from substitution for all time to ensure that full Interconnector flows are available at the shortest possible notice to meet sudden and unexpected supply constraints at the least possible cost for consumers. Of course Ofgem always has a veto right to prevent any such substitution. Any protection from substitution enjoyed by the IP ASEP further enhances the competitive advantage that would be afforded to the Interconnectors

and their users under Modification 0501 and compounds the value erosion of current long term capacity bookings.

Further complexity arises from the proposed PARCA regime whereby a User at a fully sold out UKCS ASEP could seek to reserve capacity, made available via substitution from the IP ASEP through PARCA, for only winter quarters over a number of years ahead. Before substitution can be confirmed an ad-hoc auction must be held at the potential donor ASEP to allow capacity demand in response to the threat of substitution to be satisfied. The CAM compliant auction process at the potential donor IP ASEP can necessarily only be for annual strips of capacity. How then are you able to ensure competition for entry capacity on two very different products, one able to demonstrate the real price seasonality of capacity, the other not?

Such scenarios also beg the question if entry capacity is to be substituted away from the IP ASEP what happens to the level of exit capacity? If it is not correspondingly reduced is it appropriate in protecting the UK consumer that there is as a result an increased Interconnector opportunity for the market to export gas away from the UK and raise UK prices than to import gas and lower prices?

In raising Modification 0501C eni sought to respond to the challenge from Ofgem to explore a full value solution, including an aggregate overrun regime to deliver flexibility to flow across both new Bacton ASEPs, whilst also seeking to highlight the complex commercial and competitive impact of the Bacton split. The proposed enduring solution necessarily has some complexity and associated cost. Those complexities, combined with the further issues highlighted above, may lead the Modification Panel and Ofgem to the decision that the simplest and easiest way to deliver the CAM split and serve the consumer well across an uncertain future is to allow full capacity hand-back in Modification 0501A given the fundamentally changed competitive landscape, combined with Ofgem choosing to safeguard IP ASEP capacity from substitution. If not, then Modification 0501C is the appropriate solution (including having regard to facilitating compliance with the Relevant Objectives).

Oil & Gas UK

The problem of CAM compliance at Bacton appears to be unique in the EU. The proposed capacity split between the new UKCS and IP ASEPs gives undue preferential access to entry capacity to the interconnectors over UK supply sources (storage and non-storage). The setting of the baseline capacity levels and the procedures which govern possible future substitution of capacity away from the UKCS ASEP will have an impact on the value and relative merit of the proposed Modifications. Oil & Gas UK recommends that in addressing this issue, Ofgem adopts a precautionary approach and seeks to preserve as much of the flexibility in the existing GB regime as reasonably possible in order to retain gas trading flexibility, NBP market liquidity and UK supply security.

Wales & West Utilities

The requirement to split the Bacton ASEP and the decision on how to apportion the physical capacity between the new Bacton UKCS ASEP and the Interconnector ASEP are not within the scope of these modifications. Wales & west Utilities recognises the major impact these decisions have on whether physical capacity is a scarce resource (and hence acquires a positive price) at the new ASEPs.

WINGAS

WINGAS GmbH "would like to point out that any splittings (Reallocation, diversion...) even pro rata or capacity returns at Bacton IP ASEP as described in the Modification proposals 0501/A/B/C may lead to inequitable treatment of existing capacity holders in general. This means that under no circumstances it should be possible, that a shipper gets caught in a situation, where he cannot make use of his long term acquired capacity contract in the BBL, due to a relocation of capacities at Bacton IP ASEP.

The relevant Modification 0501 and its alternatives A-C do not underline the importance of exempted capacities for matching the technical requirements at the Interconnection Point Bacton between the NTS system and the Interconnectors IUK and BBL. WINGAS assumes that these conditions will be strongly considered to secure transit capacities and the interests of international shippers. WINGAS recommends to focus on harmonizing capacity and congestion management rules (e.g. to establish co-operation mechanism) between adjacent pipeline network operators across European transit routes to avoid the loss in value of long term capacity contracts.”

9 Panel Discussions

The Panel Chair summarised that Modifications 0501, 0501A, 0501B and 0501C seek to facilitate compliance with the European Commission rules 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.

Members considered the 15 representations made, noting the wide range of views and preferences expressed across the four modifications.

Consultation Questions relating to Modification 0501C

Members considered the responses provided to the specific questions relating to Modification 0501C included in the consultation.

Q1: Do you agree Modification 0501C should be considered a User Pays Modification; if so do you agree with the proposed split for recovering costs?

Some Members agreed with some respondents that Modification 0501C should be considered to be a User Pays modification on the grounds that the change is driven by obligations placed on the TSO and the costs could not have been reasonably foreseen by Shippers. Other members suggested that this was dependent on whether you believed 0501C went beyond the minimum requirements of these TSO obligations. Ultimately there was no clear view, nor a consensus amongst Members.

Q2: Do you have any specific views on the optionality to flow (as proposed by Modification 0501C) following the proposed creation of the Bacton and IP ASEPs?

Members noted the comments received.

Q3: Modification 0501C proposes that Shipper Users with Bacton UKCS Residual Capacity, and that need to buy Bacton IP bundled capacity in order to flow via an interconnector, should receive a rebate for the additional Bacton capacity that was purchased. What are your views on whether the Shipper User should offer one of the elements of the Bacton capacity back to the market in advance of the particular gas day in order to receive the rebate? Conversely, what are your views on providing a rebate if the Shipper User retains the optionality to flow via both routes (whether or not they actually choose to do so)?

Members noted the comments received.

Q4: What do you think the impact will be on the TO entry commodity charge of the possibility to hand back capacity in each of the alternative Modifications 0501A, 0501B and 0501C?

Members noted the comments received, in particular the lack of detailed analysis to substantiate this. Members considered responses to be largely opinion-based.

Additional Issues raised

Members noted the comments received.

Consideration of Relevant Objectives

Relevant Objective (b) coordinated, efficient and economic operation of the combined pipeline system

Noting where views were expressed in respect of (b):

- *Modification 0501* – Some Members agreed with some respondents that Modification 0501 would facilitate this relevant objective because it provides separate information about flows at IPs and the UKCS ASEP at Bacton. The majority of Members believed that it was unclear that the Relevant Objective b) was furthered.
- *Modification 0501A* - Some Members agreed with some respondents that Modification 0501A would facilitate this relevant objective because it provides separate information about flows at IPs and the UKCS ASEP at Bacton. The majority of Members believed that it was unclear that the Relevant Objective b) was furthered.
- *Modification 0501B* - Some Members agreed with some respondents that Modification 0501B would facilitate this relevant objective because it provides separate information about flows at IPs and the UKCS ASEP at Bacton. The majority of Members believed that it was unclear that the Relevant Objective b) was furthered.
- *Modification 0501C* - Some Members agreed with some respondents that Modification 0501C would facilitate this relevant objective because it provides separate information about flows at IPs and the UKCS ASEP at Bacton. The majority of Members believed that it was unclear that the Relevant Objective b) was furthered.

Relevant Objective (d) securing of effective competition between relevant shippers

Noting where views were expressed in respect of (d):

- *Modification 0501* – Some Members agreed with some respondents that Modification 0501 would facilitate this relevant objective because it was predicated on EU single market drivers, which were designed to facilitate cross-border flexibility ultimately benefitting consumers. Others believed that, since this was a minimum solution that did not allow Shippers to correct their current capacity-holding position, it did not further the relevant objective as it worked against the competitive environment currently enjoyed by Shippers.
- *Modification 0501A* - Some Members agreed with some respondents that Modification 0501A would facilitate this relevant objective because it was predicated on EU single market drivers, which were designed to facilitate cross-border flexibility ultimately benefitting consumers. Some Members further agreed with some respondents that Modification 0501A would facilitate this relevant objective because it allowed Shippers to address their current capacity holding position. They also believed that the removal of any capacity sterilising effect would further competition, although noting that such capacity could be traded away. Some Members believed that the ability to return a capacity holding, the costs of which would be borne by the wider industry, did

not further the relevant objective because such costs would not be allocated solely to the parties driving them.

- *Modification 0501B* – Members considered this to be a similar position to Modification 0501A, but with a lesser effect on costs being borne by the wider industry.
- *Modification 0501C* - Members considered this to be a similar position to Modification 0501B, with the addition that it would extend the impact of the cost redistribution. Others believed that some elements of the solution were over-complicated and that this could lead to confusion, which would not further Relevant Objective d). Some Members expressed a concern that Modification 0501C could create a scenario where incumbent shippers enjoyed a competitive advantage over new purchasers, which would also fail to further Relevant Objective d).

Relevant objective (g) compliance with the Regulation and any legally binding decisions of the European Commission and/or ACER

Members considered this relevant objective and agreed that implementation of any one of the four modifications would better facilitate compliance with (g).

Preferences

Members considered, should one of the modifications be implemented, which one better facilitated the Relevant Objectives, concluding:

- with 2 votes in favour, that proposed Modification 0501 does not better facilitate the Relevant Objectives than proposed Modifications 0501A/B/C.
- with 5 votes in favour, that proposed Modification 0501A does not better facilitate the Relevant Objectives than proposed Modifications 0501/B/C.
- with 4 votes in favour, that proposed Modification 0501B does not better facilitate the Relevant Objectives than proposed Modifications 0501/A/C.
- with 0 votes in favour, that proposed Modification 0501C does not better facilitate the Relevant Objectives than proposed Modifications 0501/A/B.

Panel Determinations

- **Modification 0501** - Members voted and, with 6 votes in favour, recommended implementation of Modification 0501.
- **Modification 0501A** - Members voted and, with 9 votes in favour, recommended implementation of Modification 0501A.
- **Modification 0501B** - Members voted and, with 8 votes in favour, recommended implementation of Modification 0501B.
- **Modification 0501C** - Members voted and, with 6 votes in favour, recommended implementation of Modification 0501C.

10 Recommendation

Should one of the modifications be implemented, the Panel considers:

- that no clear majority view existed on the preference of whether proposed Modification 0501, 0501A, 0501B or 0501C better facilitates the Relevant Objectives than the others.

Having considered Modification Report 0501/0501A/0501B/0501C, the Panel recommends:

- that proposed Modification 0501 should be made;
- that proposed Modification 0501A should be made;
- that proposed Modification 0501B should be made; and
- that proposed Modification 0501C should be made.

11 Appendix 1 – 0501 Business Rules

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 Terms⁴

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.

⁴ 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

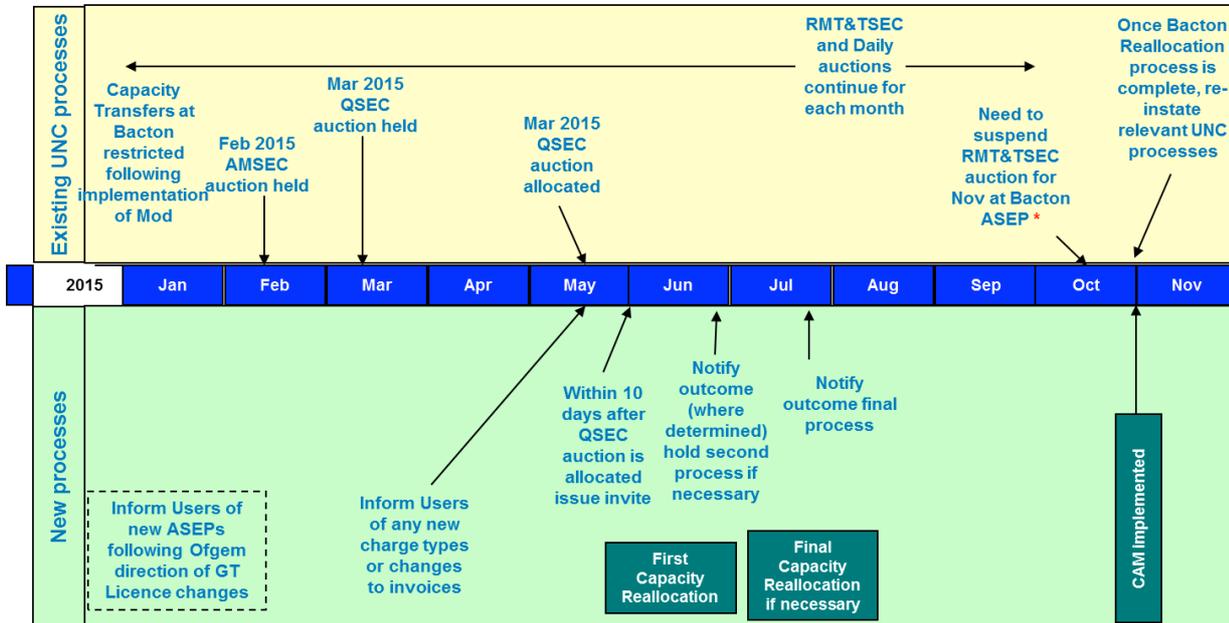
1. Users are invited to indicate where they wish their existing Registered NTS Entry Capacity rights at the existing Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs. For the avoidance of doubt, a User can indicate that they require all their existing Registered NTS Entry 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:

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 onwards⁵ 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 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.

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
 - 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 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)
 - 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, 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 Quarter⁶.

⁶ 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.

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.
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 appropriate⁷. 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

⁷ 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.

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. 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.

12 Appendix 2 – 0501A Business Rules

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 Terms⁸

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;

⁸ 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.

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 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).

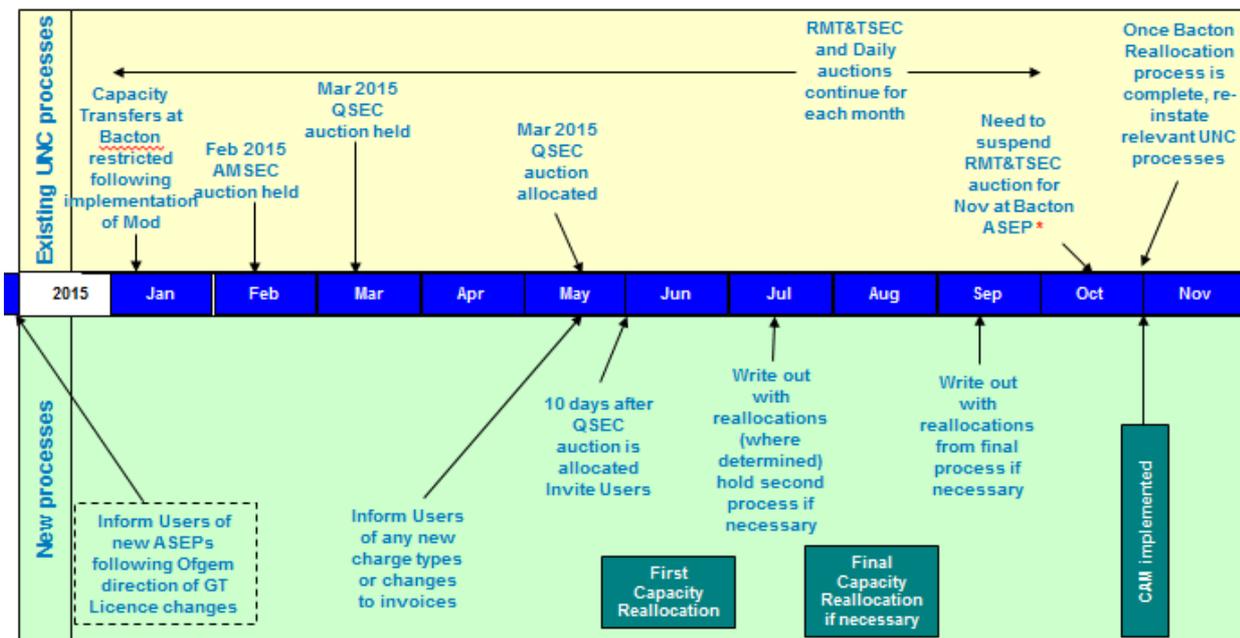
2. Where Capacity is returned by a User to National Grid NTS, the User will be relieved of any transportation charges that would otherwise pertain to it. The returned capacity will therefore be available to National Grid NTS to offer it for sale in subsequent capacity auctions at the applicable new Bacton ASEPs.
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.

- 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.

3 The Bacton Capacity Return and Reallocation process

- 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.

- 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 onwards⁹ 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.
- 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

⁹ 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.

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 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 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 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 subparagraph 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
 - 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 Quarter¹⁰.
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

¹⁰ 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.

appropriate¹¹. 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 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

¹¹ 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.

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.

13 Appendix 3 – 0501B Business Rules

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 Terms¹²

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;

¹² 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 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. **"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 returned NTS Entry Capacity will therefore be available to National Grid NTS 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 onwards¹³ 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
 - 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

¹³ 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.

- 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)
 - 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 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 (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

- 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 Quarter¹⁴.
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.

¹⁴ 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 appropriate¹⁵. 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.

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

¹⁵ 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.

- 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.

14 Appendix 4 – 0501C Business Rules

Modification 0501C

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 Terms¹⁶

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.

¹⁶ 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.

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.
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 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. **"Maximum Return Percentage"** means the Obligated level of NTS Entry Capacity ascribed to the new Bacton IP ASEP as bears proportion to the aggregate Obligated level of NTS Entry Capacity across both new Bacton ASEPs (per the proposed GT Licence change), which, subject to the outcome of Ofgem's consultation, is anticipated to be a 72.77%.
12. **"Minimum Retention Percentage"** means the Obligated level of NTS Entry Capacity ascribed to the new Bacton UKCS ASEP as bears proportion to the aggregate Obligated level of NTS Entry capacity across both new Bacton ASEPs (per the proposed GT Licence change), which, subject to the outcome of Ofgem's consultation, is anticipated to be a 27.23%.
13. **"NTS Interconnection Point Entry Capacity"** means NTS Entry Capacity at an Interconnection Point.
14. **"Residual Capacity"** means a User's remaining NTS Entry Capacity rights at a new Bacton ASEP following the User's return of existing Capacity rights under the Bacton Capacity Return and Initial Reallocation Invitation. In determining the quantum of a User's Residual Capacity

entitlement on a Day in respect of the aggregate overrun and bundled rebate regime, the User's Residual Capacity entitlement shall be deemed to be the lesser of that User's:

- (a) Residual Capacity; and
- (b) Available NTS Entry Capacity,

on that Day.

15. **“Residual Capacity Rights”** means:

- (a) relief from System Entry Overrun Charges; and
- (b) rebate relief in circumstances where a User purchases a bundled Bacton IP ASEP product,

attributable to Unutilised Residual Capacity held by a User, as more particularly described in this Modification.

16. **“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.

17. **“Unutilised Residual Capacity”** means, in respect of a Day, a User and a new Bacton ASEP, Residual Capacity which is not utilised by that User to deliver gas on that Day to the Total System at that new Bacton ASEP.

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 (up to a maximum of the Maximum Return Percentage) and to indicate where they wish to allocate their remaining existing Registered NTS Entry Capacity rights (Residual Capacity), from 01 November 2015 onwards, to be split between the two new Bacton 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 Bacton ASEPs (i.e. that they require zero at the other new Bacton ASEP for that period). In order to retain Residual Capacity Rights, all System Capacity Transfers comprising a System Transfer Period from 01 November 2015 onwards must be effected prior to the date on which National Grid NTS issues the Bacton Capacity Return and Initial Reallocation Invitation.
2. Where NTS Entry 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.
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 Bacton ASEPs.
4. Residual Capacity at the Bacton ASEP will be reallocated (by National Grid NTS on behalf of the User) at the new Bacton ASEPs.
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 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 feed directly into the System Entry Overrun Charge 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 System Entry Overrun Charge 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.

If, in respect of an invitation, a User specifies a quantity of NTS Entry Capacity to be returned which exceeds the Maximum Return Percentage, as a default rule, the quantity to be returned to National Grid NTS shall be automatically scaled-down to match the Maximum Return Percentage.

The quantity of NTS Entry Capacity specified to be returned by the User shall be added to the quantity of NTS Entry Capacity specified to be re-allocated by the User. If that aggregate quantity:

- (a) exceeds 100% of that User's existing NTS Entry Capacity, then the quantity of Residual Capacity nominated by the User shall be scaled-down; or
- (b) is less than 100% of that User's existing NTS Entry Capacity, then the quantity of Residual Capacity nominated by the User shall be scaled-up,

such that the aggregate quantity of returned NTS Entry Capacity and nominated Residual Capacity equals 100% of that User's existing NTS Entry Capacity.

In each case, the quantity of Residual Capacity subjected to such scale-down or scale-up shall, by default, be automatically allocated to the new Bacton ASEPs in proportion to the indicated split specified by the User in response to the relevant invitation.

With the exception of the above scale-down and scale-up scenarios, 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.

2 High level view – Residual Capacity following the reallocation process

1. TPD B2.12.1 provides that where a User delivers gas onto the Total System over a Day at an ASEP that is in excess of its aggregate Available NTS Entry Capacity (determined as Fully Adjusted), that User will incur a System Entry Overrun Charge in respect of NTS Entry Capacity at that ASEP on that Day.
2. For the purposes of calculating the System Entry Overrun Charge, the "overrun quantity" is the amount by which the sum of the User's UDQIs on that Day in respect of each System Entry Point comprised in the ASEP exceeds the sum of the User's Fully Adjusted Available NTS Entry Capacity.
3. A User's System Entry Overrun Charge is calculated as the amount of the "overrun quantity" multiplied by whichever is the greatest of:
 - (a) $(8 * A)$, where 'A' is the highest bid price in relation to a capacity bid in respect of which NTS Entry Capacity was allocated following an invitation for Annual NTS Entry Capacity auction. Rolling Monthly NTS Entry Capacity auction or Daily NTS Entry Capacity auction; and
 - (b) $(1.1 * B)$, where 'B' is the relevant average accepted offer price; and
 - (c) $(1.1 * C)$, where 'C' is the relevant average accepted forward price; and
 - (d) $(1.1 * D)$, where 'D' is the relevant average accepted exercise price; and
 - (e) $(1.1 * E)$, where 'E' is the highest unit price accepted by National Grid NTS,

calculated by reference to information available to National Grid NTS at 02:00 hours on a relevant Day.

4. System Entry Overrun Charges are invoiced by and payable to National Grid NTS in accordance with TPD Section S.
5. To preserve flexibility for holders of Residual Capacity, the "overrun quantity" calculation should take account of Fully Adjusted Available NTS Entry Capacity held by a User at each new Bacton ASEP in turn and in combination with the Unutilised Residual Capacity at the other new Bacton ASEP, effectively to mirror the pre-Bacton split scenario whereby a User would be entitled to flexibly flow UKCS or European-sourced gas through the Bacton ASEP without incurring System Entry Overrun Charges to the extent of its aggregate Fully Adjusted Available NTS Entry Capacity.

Therefore, in calculating a User's System Entry Overrun Charges in respect of the new Bacton UKCS ASEP or the new Bacton IP ASEP on a Day (as the case may be), the "overrun quantity"

would be reduced to the extent of the Unutilised Residual Capacity held by that User at the other new Bacton ASEP, if any.

For example, if a User allocates all of its Residual Capacity to the new Bacton IP ASEP and wishes to flow through the new Bacton UKCS ASEP on a Day, for the purposes of calculating its System Entry Overrun Charges in respect of the Bacton UKCS ASEP on that Day, that User's "overrun quantity" would be reduced to the extent of the Unutilised Residual Capacity it holds at the new Bacton IP ASEP, if any.

Where, on a given Day, a User holds both Residual Capacity and non-Residual Capacity at a new Bacton ASEP, that User's UDQI in respect of that new Bacton ASEP will be satisfied in the following order:

- (a) firstly, to the extent of the non-Residual Capacity the User holds at that new Bacton ASEP;
and
- (b) thereafter, to the extent of the Residual Capacity the User holds at that new Bacton ASEP.

As described above, as a key tenet of CAM, it is envisaged that Interconnector capacity will be sold predominantly on a bundled basis in order to comply with CAM regulation, that is to maximise the offer of bundled capacity. Where a User purchases¹⁷ a bundled Bacton IP ASEP product to use Unutilised Residual Capacity allocated to the new Bacton ASEPs (excluding any Residual Capacity deemed to be used to receive relief from System Entry Overrun Charges), that User will receive a rebate for the NTS Entry Capacity Charge embedded within the price paid for the bundled Bacton IP ASEP product – the purpose of which is to ensure that the User is not required to pay the NTS Entry Capacity Charge twice in order to use that Unutilised Residual Capacity. The amount to be rebated will be the actual NTS Entry Capacity Charge embedded within the price paid for the bundled Bacton IP ASEP product (i.e. the reserve price plus premium, if any). At the new Bacton IP ASEP, as between the aggregate overrun regime and the bundled Bacton IP product rebate regime, a User's Unutilised Residual Capacity at the new UKCS ASEP will be deemed to be used:

- (a) firstly, to receive relief from System Entry Overrun Charges pursuant to the aggregate overrun regime; and
- (b) thereafter, to receive rebate relief pursuant to the rebate regime.

In determining the quantum of a User's Residual Capacity on a Day in respect of the aggregate overrun and bundled rebate regime, that User's Residual Capacity entitlement shall be deemed to be the lesser of that User's:

- (a) Residual Capacity; and
- (b) Available NTS Entry Capacity,
on the relevant Day.

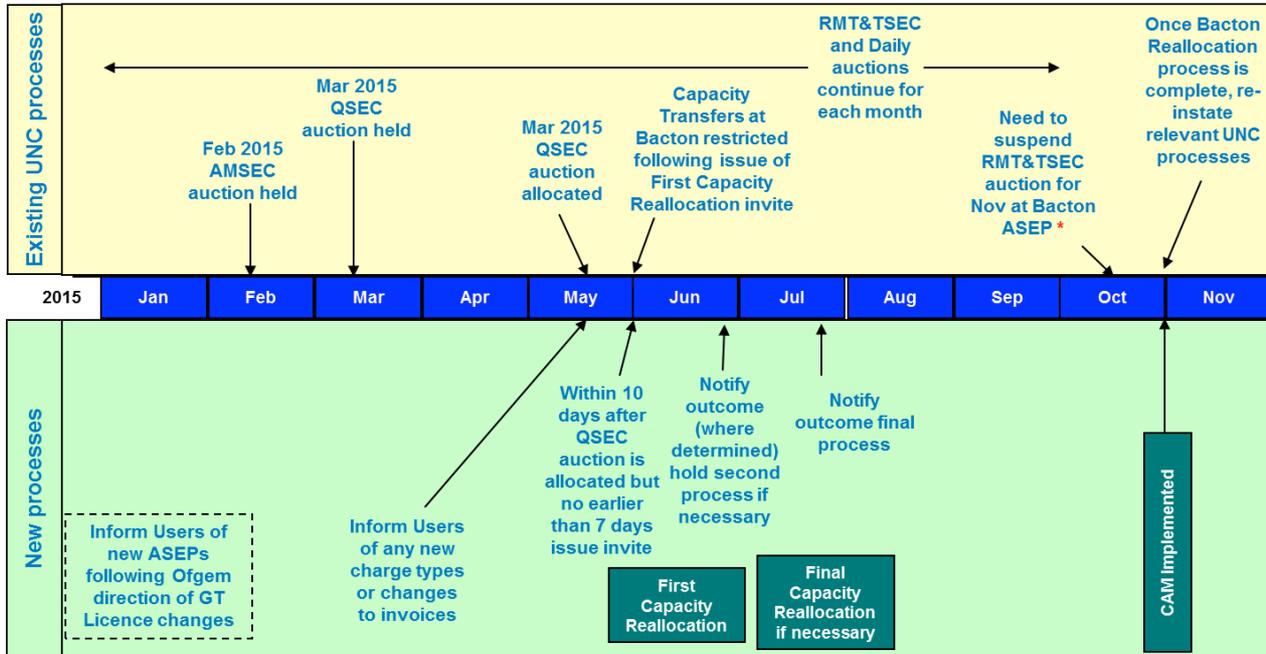
7. Invoicing and payment to cover the two new Bacton ASEPs will continue to apply as per TPD Section S. Where a User is entitled to receive a rebate in respect of the purchase of a bundled Bacton IP ASEP product, National Grid NTS shall process and issue that rebate to the User as soon as is reasonably practicable.

¹⁷ Whilst it is anticipated that User would be inclined to purchase an unbundled Bacton IP ASEP product if available, there may be instances of price divergence and accordingly, the User's commercial decision to purchase a bundled Bacton IP ASEP product **should not be fettered**.

3 The Bacton Capacity Return and 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 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) of their Registered NTS Entry Capacity at the Bacton ASEP up to a maximum of the Maximum Return Percentage; and (b) reallocate their Residual Capacity (which must not be less than the Minimum Retention Percentage) for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards¹⁸ 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 10 business days but no earlier than 7 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

¹⁸ 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 (up to a maximum of the Maximum Return Percentage) 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 (which must not be less than the Minimum Retention Percentage). Note that in order to retain Residual Capacity Rights, all System Capacity Transfers comprising Residual Capacity and a System Transfer Period from 01 November 2015 onwards must be effected prior to the date on which National Grid NTS issues the Bacton Capacity Return and Initial Reallocation Invitation. 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 return a quantity of NTS Entry Capacity greater than the Maximum Return Percentage for the Month/Quarter in question
 - h. That a User cannot request reallocation of a quantity less than or greater than their Residual Capacity for the Month/Quarter in question
 - i. 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
 - j. The User to provide a quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - l. The date by which National Grid NTS will provide back to Users the result of the Initial Capacity Reallocation.

6. If in respect of the Bacton Capacity Return and Initial Reallocation Invitation, a User specifies a quantity of NTS Entry Capacity to be returned which exceeds the Maximum Return Percentage, as a default rule, the quantity to be returned to National Grid NTS shall be automatically scaled-down to match the Maximum Return Percentage.

The quantity of NTS Entry Capacity specified to be returned by the User shall be added to the quantity of NTS Entry Capacity specified to be re-allocated by the User. If that aggregate quantity:

- (a) exceeds 100% of that User's existing NTS Entry Capacity, then the quantity of Residual Capacity nominated by the User shall be scaled-down; or
- (b) is less than 100% of that User's existing NTS Entry Capacity, then the quantity of Residual Capacity nominated by the User shall be scaled-up,

such that the aggregate quantity of returned NTS Entry Capacity and nominated Residual Capacity equals 100% of that User's existing NTS Entry Capacity.

In each case, the quantity of Residual Capacity subjected to such scale-down or scale-up shall, by default, be automatically allocated to the new Bacton ASEPs in proportion to the indicated split specified by the User in response to the Bacton Capacity Return and Initial Reallocation Invitation.

7. 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.
8. If a Transferor User does not respond to the Bacton Capacity Return and 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 Residual Capacity between the Bacton UKCS ASEP and the Bacton IP ASEP.
9. 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 NTS Entry Capacity returned to National Grid NTS and confirmation that the allocation and/or registration of the returned capacity quantities will be cancelled.
10. 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 Entry 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 Bacton ASEP and therefore that a second invitation (the Bacton Capacity Final Reallocation Invitation) will be issued.
11. 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.
12. 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 Bacton 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.

13. If in respect of the Bacton Capacity Final Reallocation Invitation, a User specifies a quantity of NTS Entry Capacity to be returned which exceeds the Maximum Return Percentage (including taking account of any NTS Entry Capacity specified to be returned pursuant to the Bacton Capacity Return and Initial Reallocation Invitation), as a default rule, the quantity to be returned to National Grid NTS shall be automatically scaled-down to match the Maximum Return Percentage.

The quantity of NTS Entry Capacity specified to be returned by the User shall be added to the quantity of NTS Entry Capacity specified to be re-allocated by the User. If that aggregate quantity:

- (a) exceeds 100% of that User's existing NTS Entry Capacity, then the quantity of Residual Capacity nominated by the User shall be scaled-down; and
- (b) is less than 100% of that User's existing NTS Entry Capacity, then quantity of Residual Capacity nominated by the User shall be scaled-up,

such that the quantity of returned NTS Entry Capacity and nominated Residual Capacity equals 100% of that User's existing NTS Entry Capacity.

In each case, the quantity of Residual Capacity subjected to such scale-down or scale-up shall, by default, be automatically allocated to the new Bacton ASEPs in proportion to the indicated split specified by the User in response to the Bacton Capacity Final Reallocation Invitation.

- 14. 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 Bacton 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.
15. 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.
16. 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 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 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 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.

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
- ii. ASEP
- iii. Quantity returned and reallocated in kWh/day
- iv. Transferred quantity for the Transferor User/Transferee User

17. 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.

18. 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 Quarter¹⁹.

19. 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.

20. National Grid NTS will then publish the aggregate results of the Bacton Capacity Return and Reallocation Process to all Users.

21. 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 appropriate²⁰. 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:**

¹⁹ 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.

²⁰ 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.

- In order to retain Residual Capacity Rights, any new Transfers of NTS Entry Capacity in accordance with TPD B5 which have either a start date or an end date for the period 01 November 2015 onwards must be effected prior to the date on which National Grid NTS issues the Bacton Capacity Return and Initial Reallocation Invitation. From such date, 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;
- In order to retain Residual Capacity Rights, any new Transfers of NTS Entry Capacity in accordance with TPD B5 which have either a start date or an end date for the period 01 November 2015 onwards must be effected prior to the date on which National Grid NTS issues the Bacton Capacity Return and Initial Reallocation Invitation. 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. System Entry Overrun charges will be calculated at an aggregate entry capacity booking level. On a given Day, National Grid NTS shall determine, for the purposes of TPD B2.12.1 (to be amended), the quantity of gas delivered by a User to the Total System at each new Bacton ASEP.

In calculating whether the sum of a User's UDQIs on a Day in respect of each System Entry Point comprised in the new Bacton ASEP exceeds the sum of the User's Fully Adjusted Available Entry Capacity, that User's Fully Adjusted Available Entry Capacity at the relevant new Bacton ASEP shall be the sum of: (a) that User's aggregate Fully Adjusted Available NTS Entry Capacity allocated to that new Bacton ASEP pursuant to the Bacton Capacity Reallocation Process; and (b) that User's Unutilised Residual Capacity at the other new Bacton ASEP.

Provided that the User does not deliver gas to the Total System at the relevant new Bacton ASEP which exceeds the above-described quantity, the System Entry Overrun Charge shall be suppressed by National Grid NTS such that the User is not invoiced for the relevant System Entry Overrun Charge.

8. Where, on a given Day, a User holds both Residual Capacity and non-Residual Capacity at a new Bacton ASEP, that User's UDQI in respect of that new Bacton ASEP will be satisfied in the following order:
 - (a) firstly, to the extent of the non-Residual Capacity the User holds at that new Bacton ASEP; and
 - (b) thereafter, to the extent of the Residual Capacity the User holds at that new Bacton ASEP.
9. Capacity Neutrality arrangements will continue to apply as per TPD B2.13. For clarification National Grid NTS has provided the following update with regards to the rebate of bundled capacity.' It is the view of National Grid NTS that the rebate is based on charges already calculated in accordance with the charging methodology (i.e. capacity charges), the rebate will be defined by the UNC and the Charging Methodology effectively already maps the rebate onto the relevant price control terms e.g. obligated/baseline capacity is TO whereas incremental and non obligated capacity is SO. The mapping of the rebates onto TO and SO actual revenue allows the consequential recalculation of other existing TO and SO charges.

The rebate of bundled capacity would be mapped to the following licence terms;

- Special Condition 2A. Restriction of NTS TO Revenue; Definition of TORCOMt ~ TO revenue other than that collected through capacity charges
 - Special Condition 3A. Restriction of NTS SO Revenue; Definition of RCOMt ~ SO revenue other than that collected through capacity and other Licence defined charges'
10. 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.

11. Entry arrangements at the two new ASEPs will apply as per TPD Section I.
12. TBE publication data in accordance with TPD Section O will now cover the two new ASEPs at Bacton.
13. Invoicing and payment to cover the two new Bacton ASEPs will continue to apply as per TPD Section S. Where a User is entitled to receive a rebate in respect of the purchase of a bundled Bacton IP ASEP product, National Grid NTS shall process and issue that rebate to the User as soon as is reasonably practicable. At the new Bacton IP ASEP, as between the aggregate overrun regime and the bundled Bacton IP product rebate regime, a User's Unutilised Residual Capacity at the new UKCS ASEP will be deemed to be used:
 - (a) firstly, to receive relief from System Entry Overrun Charges pursuant to the aggregate overrun regime; and
 - (b) thereafter, to receive rebate relief pursuant to the rebate regime.
14. Credit arrangements/termination will continue to apply as per TPD Section V.
15. There will be no change to the process to be applied by a User in undertaking System Capacity Transfers. Residual Capacity Rights will not transfer to a Transferee User during the relevant Transfer Period.
16. As a default rule, where a User undertakes a System Capacity Transfer, that User shall be deemed to transfer NTS Entry Capacity to the Transferee User in the following order:
 - (a) firstly, to the extent of that User's non-Residual Capacity; and
 - (b) thereafter, to the extent of that User's Residual Capacity.
17. As a default rule, where a User makes an offer to surrender Firm NTS Entry Capacity for a Day in respect of a new Bacton ASEP (pursuant to TPD B2.3 and/or TPD B2.10), that User will be deemed to offer to surrender its Firm NTS Entry Capacity to National Grid NTS in the priority order set out below:

(at the new Bacton IP ASEP):

As a default rule, where a User specifies through PRISMA that the surrender offer is in respect of unbundled NTS Entry Capacity, that User's NTS Entry Capacity shall be deemed to be surrendered in the following priority order:

 - (a) firstly, to the extent of that User's unbundled non-Residual Capacity; and
 - (b) thereafter, to the extent of that User's unbundled Residual Capacity.

To the extent that the User has insufficient unbundled NTS Entry Capacity available to fully satisfy the surrender offer, the User's unbundled NTS Entry Capacity shall be deemed to be negative

As a default rule, where a User specifies through PRISMA that the surrender offer is in respect of bundled NTS Entry Capacity, that User's NTS Capacity Capacity shall be deemed to be surrendered in the following priority order:

 - (a) firstly, to the extent of that User's bundled non-Residual Capacity; and
 - (b) thereafter, to the extent of that User's bundled Residual Capacity.

To the extent that the User has insufficient bundled NTS Entry Capacity available to fully satisfy the surrender offer, the User's bundled NTS Entry Capacity shall be deemed to be negative

(at the new UKCS ASEP):

- (a) firstly, to the extent of that User's non-Residual Capacity; and
- (b) thereafter, to the extent of that User's Residual Capacity.

To the extent that National Grid NTS accepts a surrender offer which includes Residual Capacity, the Residual Capacity Rights will not attach to NTS Entry Capacity which National Grid NTS makes available to other Users during the relevant surrender period by virtue of that User surrendering the Residual Capacity.