

MODIFICATION 0517A

REVIEW OF THE SUPPLY MATCHING MERIT ORDER IN SETTING CAPACITY CHARGES AND TIMING RESULTANT PRICE CHANGES

Legal Text Commentary

The proposed legal text reflects the solution proposed in Modification 517A to combine Mid-Range Storage Facilities and LNG Importation Facilities together as one group within the Merit Order, with a lag in the implementation of the new Merit Order.

Amendment to Section 2.5.1 (c), for adjustment in point (ii) to combine Mid-Range Storage Facilities and LNG Importation Facilities into one group.

Additional paragraph added to explain how the pro-ration across each group is based on the supply data.

Addition of Section 1.12 in the Transitional Document to state the transitional arrangements until the new proposed Merit Order is implemented.

Legal Text

TPD SECTION Y - CHARGING METHODOLOGIES

Amend paragraph 2.5.1(c) to read as follows:

2.5.1 Model Inputs

- (c) The nodal supply data for the Transport Model shall be derived from the supply/demand data set out in the most recent Ten Year Statement³ for each Gas Year for which prices are being determined. The aggregate supply flow shall be adjusted to ensure that the values for supply and demand are equal. This adjustment shall be carried out by reducing supplies in the following order to the point at which supplies equal the forecast demand:
- (i) short range Storage Facilities;
 - (ii) mid range Storage Facilities [and LNG Importation Facilities](#);
 - ~~(iii) [LNG Importation Facilities](#);~~
 - ~~(iv)~~ long range Storage Facilities;
 - (iv) pipeline interconnectors; and

- (vi) beach terminals.

Within each of groups (i) to (v) above, a reduction to supplies in accordance with this paragraph (c) will be pro-rated across facilities, interconnectors or terminals within each group according to the supply data set specified in the Ten Year Statement.

The supply figures for Individual System Entry Points at Storage Facilities and/or pipeline interconnectors may be set at a level that is less than or equal to the expected entry point capability.

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Add new paragraph 1.12 to read as follows:

1.12 Section Y - Charging Methodologies - Chapter 2: Capacity Charges

1.12.1 The first Gas Year in respect of which NTS Entry Capacity Reserve Prices, incremental price steps and NTS Exit (Flat) Capacity Prices will be determined by reference to the merit order in TPD Section Y2.5.1(c) shall be, where the date in Gas Year Y on which the Authority approves the Modification giving effect to this paragraph falls between:

(a) 1 October and 31 March:

- (i) in respect of NTS Entry Capacity Reserve Prices for the purposes of an auction of Monthly NTS Entry Capacity, Gas Year Y+3;
- (ii) in respect of NTS Entry Capacity Reserve Prices and incremental price steps for the purposes of an auction of Quarterly NTS Entry Capacity, Gas Year Y+5;
- (iii) in respect of NTS Exit (Flat) Capacity Charges, Gas Year Y+3;

(b) 1 April and 30 September:

- (i) in respect of NTS Entry Capacity Reserve Prices for the purposes of an auction of Monthly NTS Entry Capacity, Gas Year Y+4;
- (ii) in respect of NTS Entry Capacity Reserve Prices and incremental price steps for the purposes of an auction of Quarterly NTS Entry Capacity, Gas Year Y+5;
- (iii) in respect of NTS Exit (Flat) Capacity Charges, Gas Year Y+4.

1.12.2 Until such time TPD Section Y2.5.1(c) applies in respect of a Gas Year in accordance with paragraph 1.12.1, mid range Storage Facilities will rank ahead of (and above) LNG Importation Facilities (and be treated as a separate group) when reducing supplies to determine the point at which supplies equal forecast demand.