

MODIFICATION 0517B

REVIEW OF THE SUPPLY MATCHING MERIT ORDER IN SETTING CAPACITY CHARGES, ROLLING AVERAGE TO REDUCE PRICE VOLATILITY

Legal Text Commentary

The proposed legal text reflects the solution proposed in Modification 517B 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.
- Produce average entry reserve prices, average Exit (flat) capacity prices and average incremental price steps

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.

Within Section 2.5.3 and 2.5.4 addition of how the average prices will be created.

New Section 2.5.5 added to include the creation of average prices if there is not 3 years of prices available.

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

CHAPTER 2

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 Statement 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;~~
- ~~(viii)~~ 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.

At paragraph 2.5.3, at the end of paragraph headed 'Nodal Exit Capacity Charges' (page 15), add text to read as follows:

[NTS Exit \(Flat\) Capacity Prices in respect of a Gas Year Y shall, subject to paragraph 2.5.5, be the arithmetic average of the NTS Exit \(Flat\) Capacity Prices calculated for Gas Year Y, Gas Year Y-1 and Gas Year Y-2, as determined for each such Gas Year under this paragraph 2.5.3.](#)

At paragraph 2.5.4, at the end of paragraph headed 'Entry Capacity Reserve Prices' (page 18), add text to read as follows:

[NTS Entry Capacity Reserve Prices in respect of a Gas Year Y shall, subject to paragraph 2.5.5, be the arithmetic average of the NTS Entry Capacity Reserve Prices calculated for the Gas Year Y, Gas Year Y-1 and Gas Year Y-2, as determined for each such Gas Year under this paragraph 2.5.4.](#)

At paragraph 2.5.4, at the end of paragraph headed 'Entry Capacity Price Steps' (page 20), add text to read as follows:

[In respect of a Gas Year Y the incremental step prices shall, subject to paragraph 2.5.5, be the arithmetic average of the incremental step prices calculated for the Gas Year Y, Gas Year Y-1 and Gas Year Y-2, as determined for each such Gas Year under this paragraph 2.5.4.](#)

At paragraph 2.5.4, at paragraph headed 'Application of Entry Prices' (page 22), amend text to read as follows:

The relevant gas year capacity reserve price ([being such average price as provided for under this paragraph 2.5.4](#)) is used ...

At paragraph 2.5.4, after paragraph headed 'Application of Entry Prices' (page 22), add text to read as follows:

[2.5.5 Average Prices](#)

[In the event no NTS Entry Capacity Reserve Prices, incremental price steps or NTS Exit \(Flat\) Capacity Prices were determined under paragraphs 2.5.3 or 2.5.4 in respect of a System Point for:](#)

- Gas Year Y-2, the NTS Entry Capacity Reserve Prices, incremental price steps or NTS Exit (Flat) Capacity Prices in respect of Gas Year Y shall be the arithmetic average of the prices or price steps calculated for Gas Year Y and Gas Year Y-1 under paragraph 2.5.3 or 2.5.4;
- Gas Year Y-2 and Gas Year Y-1, the NTS Entry Capacity Reserve Prices, incremental price steps or NTS Exit (Flat) Capacity Prices in respect of Gas Year Y shall be the prices or price steps calculated following the application of the NTS Transportation Model for Gas Year Y.

TD, PART IIC - TRANSITIONAL RULES

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 or NTS Exit (Flat) Capacity Prices will be determined by reference to the merit order in TPD Section Y2.5.1(c) and average prices in accordance with TPD Section Y Chapter 2.5.5 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+1;
- (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+3;
- (iii) in respect of NTS Exit (Flat) Capacity Prices, Gas Year Y+1;

(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+2;
- (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+3;
- (iii) in respect of NTS Exit (Flat) Capacity Prices, Gas Year Y+2.

1.12.2 Until such time as NTS Entry Capacity Reserve Prices, incremental price steps and NTS Exit (Flat) Capacity Prices are determined in accordance with TPD Sections 2.5.1(c) and 2.5.5 in accordance with paragraph 1.12.1, NTS Entry Capacity Reserve Prices, incremental price steps and Exit (Flat) Capacity Prices shall be determined in accordance with the provisions of TPD Section Y2 which applied immediately prior to the date on which this paragraph 1.12 was first effective.