

## Stage 01: Modification

# 0501B:

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

At what stage is this document in the process?



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



The Proposer recommends that this modification should be

- assessed by a Workgroup



High Impact:  
Shippers and National Grid NTS



Medium Impact:



Low Impact:

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## About this document:

This modification will be presented to the panel on 16 October 2014.

The panel will consider the proposer's recommendation and agree whether the modification should be referred to a workgroup for assessment.


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# 1 Summary

## Is this a Self-Governance Modification?

Self Governance procedures are not proposed because this Modification Proposal may have a material impact on National Grid NTS and Users in respect of NTS Entry Capacity at Bacton.

## Is this a Fast Track Self-Governance Modification?

Fast Track Self-Governance procedures are not proposed because the proposer does not believe that the Modification Proposal meets the self-governance criteria for the reasons stated above and is not clearly a house keeping modification.

## 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)<sup>1</sup>. 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 newly created Bacton ASEPs to ensure that CAM/CMP procedures are only applicable at the Bacton IP ASEP.

This modification proposal has been submitted as an alternative to Modification 0501 and builds on the solution set out therein. Modification 0501 provides for only the reallocation of existing NTS Entry Capacity rights at Bacton between the envisaged two newly created Bacton ASEPs.

This proposal provides for Bacton Users to return Bacton NTS Entry Capacity to National Grid NTS in the event that an over-subscription at one of the new Bacton ASEPs results in those Users being allocated more capacity than they requested at the other newly created Bacton ASEP. In this event, the Bacton User can return any Bacton NTS Entry Capacity it is allocated which is above the NTS Entry Capacity it requested in the final reallocation round.

The proposer believes that this provides the following additional advantages over Modification 0501.

In the event of over subscription, an opportunity to return NTS Entry Capacity in excess of that requested at one of the newly created Bacton ASEP will:

- make available to National Grid NTS Entry Capacity for bundling at the Bacton IP ASEP sooner; this will better facilitate compliance with relevant objective g)
- ensure that Users do not have unwanted NTS Entry Capacity entitlements forced upon them and consequently reduces the likelihood of NTS Entry

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<sup>1</sup> 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).

Capacity being sterilised. This will better facilitate compliance with relevant objectives b) and c)

- be more consistent with the likely early termination of enduring NTS Exit (Flat) Capacity rights and will therefore better facilitate compliance with relevant objectives b) and c).

This proposal is also preferential to Modification 501A, because it is:

- More proportionate, as Users can only return NTS Entry Capacity if it is allocated more NTS Entry Capacity than they requested at one of the new Bacton ASEPs. In contrast, under Modification 501A, the User can hand back any and all Bacton NTS Entry Capacity, despite having previously committed to holding capacity under a long term user commitment. Whilst, in the proposer's view the changes at the Bacton ASEP have undoubtedly changed the optionality of capacity held at this entry point, but not sufficiently to warrant an unrestricted return of the booked capacity.
- Has less impact on competition, as it is less likely to result in the NTS costs currently recovered from user commitments for Bacton NTS Entry Capacity being smeared across all other shippers.

## Solution

This modification 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<sup>2</sup> (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.

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<sup>2</sup> 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.

The Provisional 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 [30<sup>th</sup> September 2015] at the latest.

## Relevant Objectives

Implementation of this Modification would better facilitate the following relevant objectives:

- b) Coordinated, efficient and economic operation of
  - (i) the combined pipe-line system, and/ or
  - (ii) the pipe-line system of one or more other relevant gas transporters.
- c) Efficient discharge of the licensee's obligations.
- 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.

No costs have been identified to implement this modification.

## 2 Why Change?

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

In order to ensure that CAM/CMP procedures are only applied at Interconnection Points (IPs), the existing Bacton ASEP within the GT Licence, which National Grid Gas holds in respect of the NTS will need to be split into two new ASEPs (Bacton UKCS ASEP and Bacton IP ASEP)<sup>3</sup>. 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 either returned to National Grid NTS and/or 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.

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. Further, under certain, defined circumstances the Bacton User will be permitted to return Registered NTS Entry Capacity rights if that User's NTS Entry Capacity was reallocated at one of the newly created Bacton ASEPs in excess of the amount requested in response to the Bacton Final Reallocation Invitation.

The reallocation and return processes 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 would 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 following implementation of this Modification in order to ensure that the split of NTS Entry Capacity between the two newly created ASEPs for the period commencing 01 November 2015 can be carried out. These processes at the existing Bacton ASEP are:

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

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

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

Once the return and reallocation process has 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

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<sup>3</sup> Note that this will be determined by Ofgem. 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).

Interconnection Point Entry Capacity held at the Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation.

## 3 Solution

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 Terms<sup>4</sup>

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 Provisional 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

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<sup>4</sup> 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.

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 Provisional 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 and Return Process
13. **“NTS Interconnection Point Entry Capacity”** means NTS Entry Capacity at an Interconnection Point.
14. **“Provisional Final Capacity Reallocation”** means the result of the second (and final) application of the Bacton Capacity Provisional Reallocation Process
15. **“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.
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.

## 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.

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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 Provisional Reallocation and Bacton 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 [30<sup>th</sup> 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 be conducted after the reallocation process if required):

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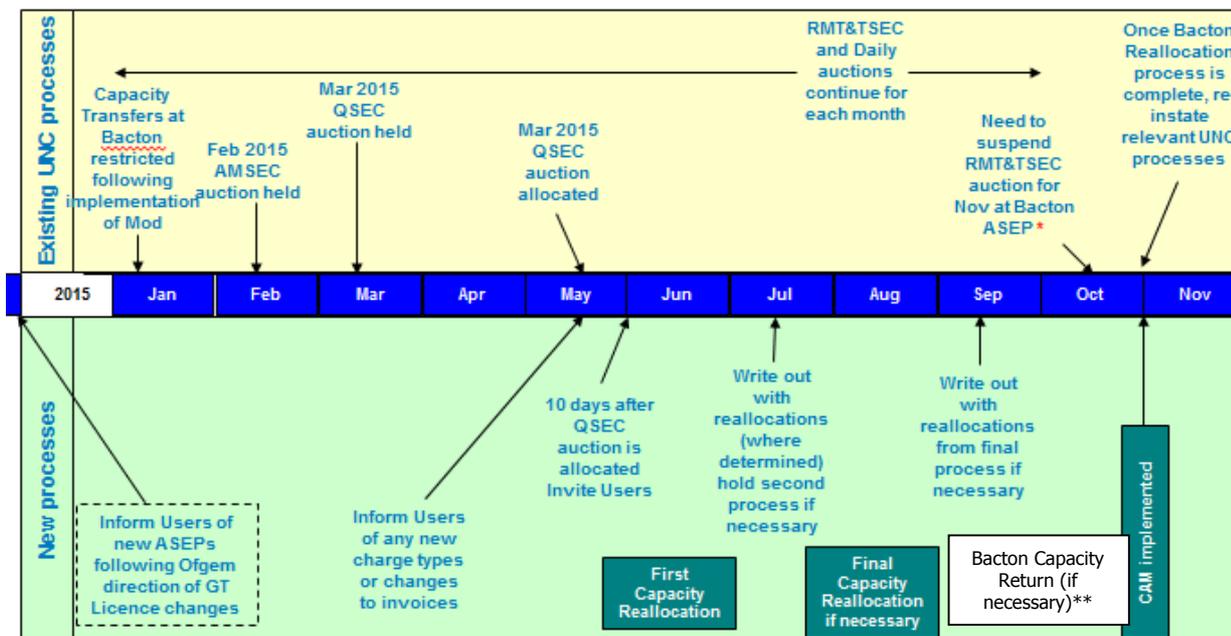
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## Timeline for Bacton Reallocation process



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

\*\* The exact timings for the Bacton Capacity Return Process is under development with National Grid NTS.

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 onwards<sup>5</sup> 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:

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<sup>5</sup> 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.

- 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 [20 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.

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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

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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 [20 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 Provisional Final Capacity Reallocation is as follows:

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- 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 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)
  - e. National Grid will write to each relevant User(s) to inform them of the results of the Provisional 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
    - v. Potential Quantity of Returnable Capacity in kWh/d
15. For those User(s) with a quantity of Returnable Capacity greater than zero, National Grid NTS will issue a Bacton Capacity Return Invitation. The Bacton Capacity Return Invitation shall state:
- a. The relevant Months/Quarters within the Provisional 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 [20 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.

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16. The User shall submit within [five business days] 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 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.
17. If a User does not respond to the Bacton Capacity Return Invitation by the date indicated, National Grid NTS will allocate 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 accordance with the Provisional Final Allocation.
18. Within [five business days] after the date by which Users needed to respond to the Bacton Capacity Return Invitation, National Grid NTS will undertake the Final Capacity Reallocation and notify Users of the outcome.
19. 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.
20. 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 Quarter<sup>6</sup>.
21. 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.
22. National Grid NTS will then publish the aggregate results of the Bacton Capacity Provisional Reallocation Process and the Bacton Capacity Return Process to all Users.
23. 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 appropriate<sup>7</sup>. 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

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<sup>6</sup> 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.

<sup>7</sup> 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.

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

- NTS Interconnection Point Entry Capacity auctions
- NTS Interconnection Point Entry Capacity Transfers

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

#### User Pays

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

No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.

Not applicable

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

Not applicable

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

Not applicable

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## 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.	Positive
c) Efficient discharge of the licensee's obligations.	Positive
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	Positive

### **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**

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

Further, this modification proposal is consistent with the User Commitment model in that Users are only able to return Returnable Capacity, the capacity that reallocated to a newly created Bacton ASEP against the requests of the Bacton User. In contrast, under modification 501A, the User can hand back any and all capacity, despite having previously committed to holding capacity under a long term user commitment. An unrestricted ability to return any and all capacity may result in a significant redistribution of cost,

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from those who booked Bacton NTS Entry to all other system users via the NTS commodity charge.

#### **c) Efficient discharge of the licensee's obligations**

Essentially, the argument in the above paragraph can be repeated here. The ability to return capacity which has been reallocated in excess of the User's capacity requirements will help to reduce the likelihood of artificial congestion at either of the new Bacton ASEPs and provide Users with more ready access to entry capacity. One of the key obligations on the licensee will be to comply with the CAM network code and this modification proposal will allow the licensee to do this, in respect of Bacton entry capacity, in a more efficient manner.

#### **g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators**

This modification facilitates that the compliance with European legislative requirements can be applied only at Interconnection Points on the NTS.

## **5 Implementation**

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

## **6 Legal Text**

Legal Text shall be provided at a suitable stage during development.

## **7 Recommendation**

The Proposer invites the Panel to:

- issue to this modification to Workgroup for assessment