

CODE REVIEW PROPOSAL No 0291
NTS Licence Special Condition C27 – Balancing Arrangements
Version 1.0

Date: 07/04/2010

1 Nature and Purpose of Proposal

Background

In February 2010 Ofgem published its Final Proposals Consultation on the National Grid Gas System Operator Incentives effective from 1 April 2010.

Within the Final Proposals Consultation, Ofgem has proposed that a new Special Condition C27 be included within the NTS Licence to oblige National Grid Gas (NTS) to firstly develop, and possibly implement, a linepack product, and secondly, to introduce updated values to the cashout fixed differentials.

Paragraphs 1 and 3 from the Final Proposals Consultation document are as follows;

1. The licensee shall use reasonable endeavours to:

(a) develop in consultation with shippers and interested parties (including the Health and Safety Executive) a gas linepack product by 1 April 2011 and shall report to the Authority on the conclusions of such development and consultation by 1 May 2011; and

(b) if directed by the Authority, take appropriate steps to implement a gas linepack product by 1 October 2011 in accordance with the conclusions set out in the report required by paragraph 1(a) of this condition.

and

3. The licensee shall use reasonable endeavours to introduce updated values of the “System Marginal Buy Price” as such term is defined in Section F 1.2.1(a)(i) of the licensee’s network code as at 1 April 2010 and the “System Marginal Sell Price” as such term is defined in Section F 1.2.1(b)(i) of the licensee’s network code as at 1 April 2010, by 1 April 2011 in consultation with shippers and other interested parties.

Nature and Purpose

It is proposed that a Review Group be formed to develop the possible options and produce recommendations for a linepack product and updated cashout fixed differentials in response to the obligations stated in Special Condition C27 above.

2 User Pays

a) Classification of the Proposal as User Pays or not and justification for classification

Unknown at this time. Subsequent changes may be required to the Gemini IS system and/or xoserve service lines but this will be subject to separate Modification Proposals being raised and confirmation gained following the development of possible options.

We anticipate that once a consensus has been formed around the recommended options, the Review Group may wish to explore any associated costs via either a Rough Order or Magnitude (ROM) or a Detailed Cost Analysis (DCA).

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

Not applicable at this stage - To be developed when a consensus is reached by the Review Group on the recommended options

c) Proposed charge(s) for application of Users Pays charges to Shippers

Not applicable at this stage - To be developed when a consensus is reached by the Review Group on the recommended options

d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

Not applicable at this stage

3

Any further information (Optional)

Suggested Terms of Reference

We would suggest that the following items are within scope and should be considered within the Terms of Reference;

1. Linepack Product;
 - Overview of NTS linepack (what, why... etc)
 - Review of historic linepack usage
 - Review of linepack products employed by other gas transporters
 - Development of potential options
 - Analysis of options, including;
 - Commercial mechanisms
 - IS system impacts
 - ROM/DCA of preferred option
2. Cashout Fixed Differential;
 - Overview of system prices and UNC Section F including current SMP Buy & SMP Sell calculations
 - Review of system 'cashout' mechanisms employed
 - Development of potential options

- Analysis of options
 - ROM/DCA of preferred option
3. Analysis of possible interactions between possible linepack product and cashout differential values
 4. Recommendations, including;
 - Preferred option(s)
 - User Pays aspects
 - Draft Modification Proposals with recommendations on progression

Proposed Review Group attendees / composition

It is proposed that the Review Group be open to all volunteers. To ensure the best possible outcome from the meetings it is recommended that attendees have an understanding of the current balancing arrangements of the UNC.

Timescales

We anticipate the Review Group ‘C27 – Balancing Arrangements’ will begin in the latter half of May 2010

The timescales for the review will need to take into consideration the dates stated with Licence Condition 27. With reference to a target implementation date of April 2011 for the cashout review it is proposed that 4 review group sessions will take place over a 4 month period. After this period the Review Group conclusions and recommendations will be submitted to the September Panel and facilitate the development of a potential Modification Procedure.

4 Code Concerned, sections and paragraphs

- a) Uniform Network Code
- b) Transportation Principal Document

Section(s) D, E, F (there may be others)

Proposer's Representative

Steve Pownall (National Grid NTS)

Proposer

National Grid NTS