

CODE MODIFICATION PROPOSAL No 0295
Allocation of Daily NTS Entry Capacity Within-Day
Version 2

Date: 11/05/2010

Proposed Implementation Date: 01/10/2010

Urgency: Non Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

Purpose

The purpose of this Modification Proposal is to bring clarity to the relevant section(s) of the UNC dealing with the allocation of (firm) Daily NTS Entry Capacity within-day. In the view of the proposer, the existing UNC rules are ambiguous and open to interpretation as to *when* during the day National Grid NTS must allocate capacity once a bid has been submitted within-day (subject to there being Available Daily Capacity¹).

This Modification Proposal seeks to provide contractual certainty by removing the scope for undue discretion being exercised by National Grid NTS in deciding when to initiate a capacity allocation period. This proposal obliges National Grid NTS to initiate a capacity allocation period on the next hour bar, where one or more valid bids have been submitted at that Aggregate System Entry Point (ASEP) (subject to there being Available Daily Capacity).

For clarity, this Proposal does not increase the likelihood of capacity being allocated compared to the current arrangements. It does, however, provide a framework for the timely consideration of daily capacity bids by National Grid NTS, which currently is not as clear as it could be.

Nature

This proposal is to give Shipper Users certainty that where a valid daily capacity bid is submitted within-day, subject to there being Available Daily Capacity, the bid must result in either;

- (i) allocation of Daily NTS Entry Capacity; or
- (ii) no allocation of Daily NTS Entry Capacity

following the initialisation of a capacity allocation period; which for the purposes of this proposal, shall be on the next hour bar, after a valid bid has been submitted. In accordance with current UNC rules², the Shipper User shall then be notified if an allocation of capacity has been made in respect of their bid.

¹ As currently defined at UNC TPD B 2.4.13

² UNC TPD B 2.7.7(c)

For the avoidance of doubt, where Daily NTS Entry Capacity is not allocated in respect of a bid, such bid shall not be extinguished and shall still be available and can be amended or withdrawn by the Shipper User. Unless the bid is withdrawn, National Grid NTS shall initiate a capacity allocation period on the next hour bar, where the bid shall be re-considered for capacity allocation purposes.

In practice, this means that a daily capacity bid cannot remain on National Grid NTS's system for longer than one hour without National Grid NTS taking affirmative action to either accept or reject³ the bid. Where a bid is not accepted but not withdrawn, it must be considered by National Grid NTS on the next hour bar and the Shipper User notified if an allocation has been made (in accordance with UNC TPD B 2.7.7(c)).

The aim of this proposal is to encourage timely acceptance by National Grid NTS of bids where an allocation can be made and timely re-consideration of bids made previously, whether they remain unchanged from the initial bid, or have since been amended.

It should be noted that neither under this proposal nor under current UNC rules, is there an obligation on National Grid NTS to inform each Shipper User where no allocation of capacity is made in response to a bid for daily entry capacity. Hence, this proposal would not change current operational practice in this regard.

Although this proposal is not contingent, it is anticipated that an effect of implementing Modification Proposals 284 and/or 285 will be that entry capacity bookings will more closely match actual gas flows, than is the case currently. It will, therefore, be extremely important that sufficient opportunities are provided within-day to bid for entry capacity; particularly for Shipper Users with a large and/or variable supply portfolio. It could be argued that under existing UNC rules, if the rules were to be strictly interpreted, National Grid NTS would only have to initiate one capacity allocation period (per ASEP) each gas Day. The proposer understands that this is not National Grid NTS's intention in practice, but strongly believes a rules-based approach is more appropriate, rather than the current reliance on National Grid NTS's discretion and goodwill.

³ Unless capitalised words are used, this is not the UNC Defined Term for the purpose of this proposal. The word reject is used to aid understanding in plain English.

b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)

Non-urgent status is requested, but with a view to achieving implementation by 1 October 2010. Although this proposal is not contingent, the proposer believes that the need for its implementation would be even greater should Modification Proposals 284 and/or 285 be implemented. On this basis, the proposer requests the same implementation date and suggests the following schedule to help facilitate this:

6 May 2010 - Consideration at May Transmission Workstream

20 May 2010 – Proceeds to consultation stage at May Modification Panel

17 June 2010 – FMR to Modification Panel for Recommendation

July to October 2010 – Modification Proposal with Ofgem for decision and able to be considered in Regulatory Impact Assessment process for entry charging review proposals, if appropriate.

1 October 2010 – Implementation date.

c) Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.

Following presentation at the May Transmission Workstream, where only minor comments were received, the proposer considers this to be a straightforward Code change and that this proposal now merits proceeding direct to consultation.

2 User Pays

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

The proposer does not consider that this proposal should be classed as User Pays, since there is no anticipated impact on UK Link systems.

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

Not applicable.

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

Not applicable.

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

Not applicable.

3 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives

SSC A11.1 (d) (i)

Should help secure effective competition between Shipper Users by not disadvantaging those Shipper Users who have submitted daily capacity bids and who are awaiting allocation of Daily NTS Entry Capacity at an ASEP. Undue delay by National Grid NTS and the resultant uncertainty may have adverse commercial implications on a Shipper User, if they are unable to flow gas whilst waiting for National Grid NTS to allocate capacity in response to their bid.

Furthermore, By ensuring all daily capacity bids are dealt with in a timely fashion, Entry Shipper Users will gain commercial benefits from the enhanced certainty and timeliness of the daily entry capacity allocation process.

SSC A11.1 (f)

Will promote efficiency in the administration of the Uniform Network Code, by clarifying existing Daily NTS Entry Capacity allocation rules, removing (or at least reducing) the current scope for disagreement between Shipper Users and National Grid NTS, in respect of when a daily capacity bid must be accepted and capacity allocated.

4 The implications of implementing this Modification Proposal on security of supply, operation of the Total System and industry fragmentation

It is the proposer's view that this Modification Proposal has the potential to enhance security of gas supply. For instance, should one or more major NTS entry points suffer operational difficulties within-day and a supply portfolio Shipper User has to find entry capacity at very short notice at another entry point, this proposal (if implemented) will provide certainty that bids will result in capacity either being allocated or not allocated in the next applicable capacity allocation period, which for the purposes of this proposal will be initiated at the next hour bar. The affected Shipper User(s) will then know what measures they need to take to rectify their entry capacity position, in a timescale which reflects the urgency of the situation. Under the existing 'ambiguous' rules, daily capacity bids could *potentially* sit on National Grid NTS's system for several hours without being accepted and capacity allocated, which ultimately could result in adverse security of supply implications if capacity is not allocated quickly enough and gas cannot flow to meet demand.

5 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

a) The implications for operation of the System:

The proposer understands that this Modification Proposal will simply codify existing operational best practice by National Grid NTS.

b) The development and capital cost and operating cost implications:

As a Shipper User, the proposer welcomes views on this point from National

Grid NTS.

- c) **Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:**

The proposer does not anticipate additional costs to National NTS on the basis that this Modification Proposal will simply codify existing operational best practice by National Grid NTS.

- d) **The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

This proposal removes (or at least reduces) the contractual risk of a dispute between Shipper Users and National Grid NTS as to when a capacity allocation period should be initiated under current UNC rules.

- 6 **The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)**

Not applicable.

- 7 **The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users**

The proposer welcomes views on this matter, but does not anticipate any UK Link impact.

- 8 **The implications for Users of implementing the Modification Proposal, including:**

- a) **The administrative and operational implications (including impact upon manual processes and procedures)**

The proposer foresees significant operational benefit for Shipper Users from implementation of this Proposal due to the enhanced certainty of rules on allocation of daily NTS entry capacity.

- b) **The development and capital cost and operating cost implications**

The proposer believes that improved timeliness in allocation of daily capacity by National Grid NTS could potentially lower operating costs of Shipper Users because the risk, of daily capacity bids being accepted and capacity allocated when it is too late, is reduced.

- c) **The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

This proposal removes (or at least reduces) the contractual risk of a dispute between Shipper Users and National Grid NTS as to when a capacity allocation period should be initiated under current UNC rules.

9 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)

Access to short-term NTS entry capacity and its timely allocation is important for many different Users of the NTS, including those with a large or varied supply portfolio.

10 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters

No implications identified, but views are invited.

11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 10 above

Advantages

In addition to the benefits identified above:

- Increased flexibility for Shipper Users to choose when to submit daily entry capacity bids.
- Assists Shipper Users in better profiling their firm entry capacity requirements, as there is guaranteed opportunities (subject to there being Available Daily Capacity) to bid for capacity close to the point of delivery of gas into the system.
- No more need for Shipper Users to “second-guess” when National Grid will allocate capacity in response to daily entry capacity bids.
- Removes ability for National Grid NTS to exercise undue discretion over when to initiate the daily entry capacity allocation process and promotes the equal treatment of all bids submitted.
- Introduces a more customer-friendly approach to Daily NTS Entry Capacity allocation.

Disadvantages

- May require additional IT / staff resources to help manage potential for more frequent capacity allocation periods being initiated.
- Neither under this proposal nor under current UNC rules, is there an obligation on National Grid NTS to notify each Shipper User whose bid has not resulted in an allocation of capacity. The lack of formal notification may be considered by some to be a deficiency in the current UNC arrangements and by extension, this proposal.

12 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)

None received.

13 Detail of all other representations received and considered by the Proposer

Comments received from National Grid NTS and at the May Transmission Workstream have been incorporated into this version as far as possible.

14 Any other matter the Proposer considers needs to be addressed

Nothing further has been identified by the proposer, but views are invited.

15 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal

See section 1 (b), above, for suggested timescales.

16 Comments on Suggested Text

None.

17 Suggested Text

To be provided.

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) B 2.4 – “Daily NTS Entry Capacity”

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Proposer

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