

1 Relevant Objectives

The Proposer believes that implementation will better facilitate the achievement of **Relevant Objectives a, b, c, d, e and f.**

Proposer's view of the benefits against the Code Relevant Objectives	
Description of 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.	None
c) Efficient discharge of the licensee's obligations.	See below
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.	See below
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

Achievement of Relevant Objective (d)(i)

The Proposer believes that this Proposal will better facilitate the securing of effective competition between shippers by enabling additional supplies of gas to be delivered to the market that may otherwise be uneconomic to produce. These additional sources will compete with existing supplies and will thus potentially displace other higher cost supplies to the benefit of UK gas consumers.

Achievement of Relevant Objective (c)

Standard Special Condition A5 of the Transporters Licence– Obligations as Regard Charging Methodology

SSC A5(5) requires the licensee's charging methodology to achieve certain objectives, one of which is cost reflectivity (SSC A5(5)(a)) whereby the charges levied must reflect the costs incurred by the licensee in providing that service to the counterparty. The marginal cost to the NTS Transporter for offtake and input of a quantity of gas within-day at substantially the same location is zero. Therefore, in order to satisfy this licence obligation, it is proposed that

zero transportation charges are applied for NTS gas offtaken and redelivered at an NTS Commingling Facility.

However, it is proposed that any net positive position (exit or entry) should be charged due to the costs incurred by the NTS Transporter in transporting the net volume of gas. In the case of a 'net entry' end-of-day position, the NTS Transporter would incur capacity and commodity related costs associated with the admission of that net quantity of gas in the same way as it would with gas entered at a coastal terminal. In the case of a 'net exit' end-of-day position, the NTS Transporter would incur capacity and commodity related costs associated with making gas available for offtake in the same way as it would with gas made available at, for example, a power station connected to the NTS.

Accordingly, introducing a specific charging regime for NTS Commingling Facilities which reflects the specific costs of providing such a service as proposed would better facilitate the efficient discharge of Standard Special Condition A5(5)(a) of the Licence.

Standard Special Condition A6 of the Transporters Licence – Conduct of Transportation Business

The inclusion of terms for NTS Commingling Facilities in Uniform Network Code (UNC) is the manner best calculated to secure that any gas shipper does not obtain any unfair commercial advantage from a preferential or discriminatory arrangement (SSC A6(1)) by ensuring that all Shipper Users that may wish to make arrangements for the entry of gas into the NTS at a NTS Commingling Facility are subject to common terms described in the UNC.

Standard Special Condition A7 of the Transporters Licence – Requirement to Enter into Transportation Arrangements in Conformity with the Network Code

To the extent that the UNC does not currently contain specific provision for the simultaneous transportation of gas to and from a facility that is directly connected to the NTS, this proposal if implemented would better facilitate this licence condition (and consequently the relevant objective of the efficient discharge of the licensee's obligations) by ensuring that National Grid Transmission is providing relevant Transportation Arrangements in conformity with its Network Code.