

. Stage 01: Modification

0XXX: *(Code Administrator to insert number)*

Development of the capacity and connection processes – Planning and Advanced Reservation of Capacity Agreement (PARCA)

This modification develops the long term Entry and Exit capacity release mechanisms and extends the current UNC ad-hoc application provisions that allow Users to reserve Enduring NTS Exit Capacity to allow the reservation of both Exit and Entry Capacity.



The Proposer recommends that this modification should proceed to a workgroup for development



High Impact:
Shippers, Developers and Transporters



Medium Impact:
Insert name(s) of impact



Low Impact:
Insert name(s) of impact

At what stage is this document in the process?

01

Modification

02

Workgroup Report

03

Draft Modification Report

04

Final Modification Report

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3 **Any questions?**

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About this document:

This document is a modification, which will be presented by the Proposer to the Panel on xxxxxx. The Panel will consider the Proposer's recommendation, and agree whether this modification should proceed to consultation or be referred to a Workgroup for assessment.

Transporter:
Insert name

 ...@...

 **0000 000 000**

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In the context of this modification, what do we mean by "Incremental NTS Capacity"?

Incremental NTS Capacity means capacity over and above "Baseline NTS Capacity" (defined below) that is not met through either substitution or the release of "Discretionary NTS Capacity" (defined below).

In the context of this modification, what do we mean by "Baseline NTS Capacity"?

Baseline NTS Capacity means the amount of Firm NTS Capacity National Grid NTS is obliged to make available to Users in accordance with National Grid NTS's Transporter's licence.

In the context of this modification, what do we mean by "Discretionary NTS Capacity"?

Discretionary NTS Capacity is Firm Capacity over and above Baseline NTS Capacity that National Grid NTS may choose to release entirely at its own discretion

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1 Summary

Is this a Self-Governance Modification

National Grid NTS do not believe this modification meets the necessary criteria for self governance. This modification proposes material changes to the Entry and Exit capacity regimes and as such should be subject to regulator oversight.

Why Change?

Our RIIO submission proposed regulatory change and this requires some associated commercial changes.

Within our RIIO March submission (Appendix B – delivering connections and capacity) we detailed the drivers for commercial change as:

- The need for the regulatory and commercial frameworks to be compatible so that they work as a package.
- Customer requests that the connections and capacity processes be better aligned.
- The introduction of the Planning Act (2008).

This modification introduces changes to how capacity is released through the Quarterly System Entry Capacity auctions and the Enduring Annual NTS Exit (Flat) Capacity release mechanisms. Additionally this modification introduces change that allows a User to reserve (and ultimately be allocated and purchase) NTS Firm Capacity through a bi lateral Planning and Advanced Reservation of Capacity Agreement (PARCA).

Solution

The proposed solution has the following key aspects to it:

- Firm NTS Capacity in excess of available unsold levels is only guaranteed where a PARCA has been agreed by National Grid NTS and a developer or a User (subject to the terms of that PARCA).
- Where a PARCA has been agreed, and subject to the provisions of that PARCA, the associated Firm NTS Capacity is exclusive to the PARCA signatory or the PARCA signatory's Nominated User.
 - Note: where that PARCA signatory is a developer, that developer will be financially committed to the associated Firm NTS Capacity until a User is nominated by that developer under the terms of the PARCA ("Nominated User")
- The PARCA allows a User ("PARCA User"), Developer or Nominated User to reserve and potentially be allocated Firm NTS Capacity (subject to the terms of the PARCA).
 - Note: National Grid NTS would, in accordance with the terms of the PARCA, register the reserved / purchased Firm NTS Capacity to the PARCA User or, as the case may be, Nominated User on UK Link for accounting purposes as per the ARCA process today (as detailed within UNC TPD (ref B3.3)).

In order to guarantee that National Grid NTS and the customer projects are aligned and for National Grid NTS to fully determine when and how Incremental NTS Capacity is to be delivered a PARCA must be agreed.

- National Grid NTS may also release Firm NTS capacity over and above unsold levels through the existing Quarterly System Entry Capacity Auctions and Enduring NTS Exit Capacity application processes. Such release could either be as a result of substitution (in accordance with the substitution methodology statements) or at the discretion of National Grid NTS (in accordance with the Capacity Release methodology statements).
- The ARCA and the PCA principles and processes will be incorporated into the PARCA agreement where appropriate.

Impacts & Costs

The Proposer should concisely state the key elements of the modification. Further details may be provided as required in Section 5 below. If Section 5 is left blank, the proposer should indicate who should fund the system costs associated with the change.

TBC

Implementation

If a timescale for implementation is proposed, the format explained below must be used, and brief reasons provided for each suggested date. Further details may be provided as required in Section 6 below.

At least two fixed implementation Dates must be specified, and for each of these the latest date by which an implementation decision is required if the date is to apply: e.g. 01 June 2012 if a decision to implement is issued by 15 May 2012; 01 September 2012 if a decision to implement is received by 06 August 2012. In addition, a backstop lead time must be specified to allow for any later decision date: e.g. if a decision to implement is received after 06 August 2012, implementation 21 business days following the decision to implement.

TBC

The Case for Change

The Proposer should concisely state the case for implementation of this modification, outlining how the code relevant objectives would be facilitated by implementation.

TBC

Recommendations

The Proposer should state whether this modification should proceed to consultation or that assessment by a workgroup is required.

National Grid NTS believe it is appropriate for this solution to be developed with the industry through a workgroup. Given that the solution detailed is broadly in line with the reservation principles currently associated to the Enduring Exit regime, National Grid NTS believe that there is merit in initially focussing on developing this solution for the NTS Exit regime and then as an industry, seek to apply the same principles where possible to the Entry regime.

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2 Why Change?



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Insert text here

Insert subheading here

The Planning Act (2008) introduces a new streamlined process for planning decisions for Nationally Significant Infrastructure Projects (NSIPs), which for gas infrastructure is applicable only in England. The principles of the Planning Act (2008) may also apply to gas infrastructure¹ delivered as a result of Incremental Capacity signals from projects in Wales and Scotland² where reinforcement is also required in England. National Grid NTS also believe it is appropriate to apply the spirit of the Planning Act (2008) regardless of geography. For NSIPs the new planning process requires extensive optioneering and consultation with the community prior to the consideration of the application by The Planning Inspectorate and decision by the Secretary of State. This is likely to increase lead times for complex construction projects to between an estimated 72 and 96 months from the point of a formal capacity signal to delivery of that capacity under current arrangements. The default lead times contained within National Grid's Transporter licence in respect of the NTS places an obligation on National Grid NTS to deliver Incremental entry and exit NTS capacity to a 42 (from an auction signal) and 36 (from the October following allocation) month lead time respectively.

Through our Talking Networks events held in 2011, we highlighted that the impact of the Planning Act (2008) on timescales for delivering network reinforcements to support incremental capacity meant that the current obligated lead times applicable to Incremental entry and exit capacity were not achievable where the principles of the Planning Act (2008) would be required. Releasing Incremental NTS Capacity to these obligated lead times could result in considerable constraint management costs to the industry and end consumers.

Our March 2012 RIIO-T1 business plan submission included a number of proposals that could address this issue whilst facilitating the overarching objective of delivering connections and capacity together, in the most efficient lead time and in a transparent manner. We proposed that the introduction of a mandatory bi-lateral contract for parties wishing to signal Incremental capacity would enable customer and NGG timelines to be aligned, with connections and capacity being delivered together. This process would provide more certainty to project developers, with transparency of all the process steps and deliverables required from both parties and set out a timeline from initial contact through to capacity release whilst also allowing the review, discussion and potential revision of that timeline and break points within the contract process. This would be accompanied by a phased user commitment that would ramp up in line with progression through the process culminating in full user commitment once a formal capacity signal is received in line with the current UNC principles.

Some stakeholders have previously indicated to us that they would want the release of Incremental capacity to be restricted to the party that has funded the necessary preparatory work through the bi-lateral contract. This requires a change to the UNC, and so we have been developing our proposals, as discussed at the recent Transmission

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¹ The Planning Act (2008) applies only to Gas Transporter Pipelines of at least 800mm diameter and 40km in length or having a likely significant effect on the environment, with a pressure of at least 7 barg and supplying at least 50,000 customers.

² The spirit of the Planning Act (2008) is likely to be applied to projects in Wales and Scotland as part of National Grid's 'one approach' to the way we work.

Issues Workgroups and Transmission Workgroups. This modification incorporates the PARCA option that has been discussed with industry as a potential way forward.

In order to facilitate the timely delivery of Incremental NTS Capacity, to allow the greater alignment of National Grid NTS and customer project timelines and for the guaranteed release of Firm NTS Capacity in excess of the available unsold levels, the proposed solution places an obligation on Users to either agree, or be nominated pursuant to, a PARCA. The PARCA would reserve Firm NTS Capacity in a similar way to how the ARCA process currently operates for the reservation of (and subsequent financial commitment to) NTS Exit Capacity for developers but extends these principles to Users and Entry developers. Such Users will be referred to as "PARCA Users" within this modification.

Note: The PARCA may also be agreed by a Developer, however it is expected that the capacity reserved through the PARCA will be subsequently transferred to a Nominated User.

The ability to reserve Enduring NTS Exit (Flat) Capacity is a feature of the current enduring NTS Exit Capacity regime and is possible through ARCA process for developers; similar principles also apply to the ad-hoc enduring application process for Users. As such, National Grid NTS believe that the fundamental principles underpinning this modification are broadly the same as those underpinning aspects of the current Enduring NTS Exit Capacity regime. National Grid NTS are of the view that this is a more substantial change for Entry Capacity where Users or Developers are not currently able to reserve NTS Entry Capacity which is booked through auction mechanisms only.

Whilst it is not proposed that the PARCA itself forms part of this Modification solution, this modification proposes that the existing ARCA and demonstration date principles defined under UNC B3.3 are retained and extended for the purposes of the PARCA. National Grid NTS would publish a generic PARCA and consult upon subsequent changes to that generic PARCA if required. UNC will also need to reference the PARCA as a prerequisite to guaranteeing Incremental NTS Firm Capacity to a PARCA User. National Grid NTS believe it is imperative to develop the PARCA itself in parallel with this modification and believe it is appropriate for this to be developed through the same Transmission workgroup to allow a fully informed industry view of the framework changes proposed as a package.

Given the financial underpinning that is likely to be provided through a PARCA, National Grid NTS are of the view that it is appropriate that a PARCA User should have rights to that Firm NTS Capacity financially underpinned through the relevant PARCA. National Grid NTS believe that one way of achieving this would be through the reservation and allocation of Firm NTS Capacity through the PARCA contract.

3 Solution



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Insert text here

Introduction:

National Grid NTS recognise that we are currently in discussion with the industry to develop a solution and that there may be viable alternatives to the following potential solution.

For the purpose of this modification:

- “Baseline NTS Entry / Exit Capacity” means the amount of Firm NTS Entry / Exit Capacity that National Grid NTS is obliged to make available to Users in accordance with National Grid NTS’s Transporter’s licence;
- “Discretionary NTS Entry / Exit Capacity” means Firm NTS Entry / Exit Capacity over and above Baseline NTS Entry / Exit Capacity that National Grid NTS may choose to release entirely at its own discretion;
- and “Incremental NTS Entry / Exit Capacity” means Firm NTS Entry / Exit capacity over and above Baseline NTS Entry / Exit Capacity levels that is not met through either substitution or the release of Discretionary NTS Entry / Exit Capacity.

The following general rules expand and define the solution. Please note that the rules primarily detail the changes needed to existing processes and, where appropriate, detail existing rules and additional information that National Grid NTS believe are necessary to inform the potential UNC changes. Where no detail has been provided the existing UNC provisions would not be changed by this modification.

The aspects of this solution that describe substitution are included for completeness. These aspects would not form part of the resultant UNC changes if this modification were to be implemented, but would be reflected within the relevant methodology statements as necessary.

PARCAs and Demonstration Dates

National Grid NTS believe that the existing ARCA and demonstration date principles defined under UNC B3.3 could be retained and potentially extended (for example, to Entry) for the purposes of the PARCA .

The business rules for the PARCA aspects of this modification should be developed through the workgroup and in parallel with the PARCA contract business rules to ensure consistency and as such it is anticipated that this modification is expanded and developed along side the PARCA business rules.

NTS Exit Capacity

Enduring Annual NTS Exit (Flat) Capacity July Annual Application Window

Please note that the following solution assumes that Modification 0376 – “Increased Choice when Applying for NTS Exit Capacity” is operational.

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1. National Grid NTS will, from any month in the periods Y+4, Y+5 and Y+6 make available Unsold Baseline NTS Exit Capacity. The quantity of Unsold Baseline NTS Exit Capacity made available from any Gas Month will be based upon the available quantity of Unsold Baseline NTS Exit Capacity for every Gas Month from that point onwards. For example:

Unsold NTS Exit Baseline Capacity - GWh/d

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Y+4	10	10	15	20	20	20	20	5	20	20	20	20
Y+5	15	15	15	15	15	15	10	15	15	15	15	15
Y+6	25	25	25	25	25	20	25	25	25	25	25	25

In this example, National Grid NTS will make available 5 GWh/d for applications effective from Y+4, 10 GWh/d for applications effective from Y+5 and 20 GWh/d for applications effective from Y+6, if we assume that post March Y+6 a quantity of 20 or more Unsold Baseline NTS Exit Capacity is available for all months from that point onwards.

Alternatively, if we assume that in the example above a quantity of zero unsold Baseline NTS Exit Capacity was available in Y+6 then no Baseline NTS Exit Capacity would be made available from any Gas Month within Y+4, Y+5 or Y+6

2. Demand for Enduring Annual NTS Exit (Flat) Capacity through the July Annual Application Window that is over and above the available unsold Baseline NTS Exit Capacity levels may be met through substitution, release of Incremental NTS Exit Capacity or the release of Discretionary NTS Exit Capacity. Such release will be subject to User commitment in accordance with the Exit Capacity Release Methodology Statement (ExCR).
3. Given that a limited quantity of Enduring Annual NTS Exit (Flat) Capacity may be made available through the Annual Application Window it is possible that the User(s) Enduring Annual application quantities may need to be pro rated where demand for Enduring Annual NTS Exit (Flat) Capacity exceeds that which is available or where allocation of Enduring Annual NTS Exit (Flat) Capacity for an earlier period (e.g. Y+4) reduces the Enduring Annual NTS Exit (Flat) Capacity quantity available for a later period (e.g. Y+5).
4. Pro ration will be based on the maximum Enduring Annual application quantity. Where the pro rated quantity is less than [100,000] kWh the application will be rejected and the available Enduring Annual NTS Exit (Flat) Capacity quantity will be pro rated (where necessary) amongst those Enduring Annual Applications remaining.
5. National Grid NTS will, not later than 30th September in Gas Year Y:
 - a. accept in full or, as the case may be, in part (if not rejected) a User's application (including a DNO User's revised application) for Enduring Annual NTS Exit (Flat) Capacity in accordance the ExCR and ExCS methodology statements; and notify the User of which of its applications have been accepted, and in each case for what amount of Enduring Annual NTS Exit (Flat) Capacity.

Enduring Annual NTS Exit (Flat) Capacity – Ad-hoc applications

UNC (TPD B3.2.3b in accordance with other provisions under paragraph B3.2) details the provisions for Enduring Annual NTS Exit (Flat) Capacity Ad-hoc applications for NTS Exit Points where the quantity applied for either exceeds 1 GWh/day or, if accepted, would result in Users holding in aggregate an amount of Enduring Annual NTS Exit (Flat)

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Capacity that is in excess of 125% of the Baseline NTS Exit (Flat) Capacity at the NTS Exit Point in respect of the Gas Year for which the application is made. The Ad-hoc application window is open between 1st of October and 30th of June in Gas year Y and Ad-hoc applications may be made at any time within this window.

The ad-hoc process may be utilised to conduct an “open season” type process to signal demand for Unsold Baseline NTS Exit Capacity at any NTS Exit Point that may otherwise be reserved through a PARCA. Under such a scenario, National Grid NTS will invite Users to participate in an Ad-hoc Enduring NTS Exit (Flat) Capacity Application that will be conducted, as soon as reasonably practical, post agreement of a relevant PARCA. In inviting Users to participate in an Ad-hoc Enduring NTS Exit (Flat) Capacity Application, National Grid NTS will provide certain information to the industry pertinent to the relevant PARCA (whilst respecting commercial confidentiality), to ensure a well informed process e.g. identify where Available Unsold Capacity maybe at risk. Additionally National Grid NTS may, in accordance with the ExCR, conduct an ad-hoc reduction window to allow Users opportunity to submit reduction applications at specific NTS Exit Points, where that reduced NTS Exit Capacity could be utilised to satisfy part or all of the Capacity required by the PARCA.

The proposed changes do not impact upon the additional flexibility introduced through Modification 0376 i.e. applications may still be made, without a PARCA, effective from the 1st of any month within the period M+6 to Y+6 and made on any day within October to June of Gas Year Y.

National Grid NTS will, from M+6, through to Y+6 make available Unsold Baseline NTS Exit Capacity by default. The quantity of Unsold Baseline NTS Exit Capacity made available from any Gas Month will be defined as the available quantity of Unsold Baseline NTS Exit Capacity for every Gas Month from that point onwards

For example:

Unsold Baseline NTS Exit Capacity																																																
	M+6						M+7						M+8						M+9						M+10						M+11																	
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
M+6 (where M is September)	-	-	-	-	-	-	20	15	20	20	20	20	-	-	-	-	-	-	20	15	20	20	20	20	-	-	-	-	-	-	20	15	20	20	20	20	-	-	-	-	-	-	20	15	20	20	20	20
Y+1	10	10	9	9	9	9	9	9	9	9	9	9	10	10	9	9	9	9	9	9	9	9	9	9	10	10	9	9	9	9	9	9	9	9	9	9	10	10	9	9	9	9	9	9	9	9	9	9
Y+2 onwards	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7

In this example, National Grid NTS will make available 7 GWh/d from M+6 onwards if we assume 7 GWh/d is available for all periods from Y+2 onwards.

- Demand for Enduring Annual NTS Exit (Flat) Capacity, through the Ad-hoc Application Window, that is over and above unsold Baseline NTS Exit Capacity levels may be met through substitution in accordance with the ExCS methodology statement (from Y+4 onwards) or through the release of Incremental and/or Discretionary NTS Exit Capacity (from M+6 onwards). Such release will be subject to User commitment in accordance with the ExCR.
- Given that limited quantities of Enduring Annual NTS Exit (Flat) Capacity may be made available through the Ad-hoc Application Window it is possible that the User(s) Ad-hoc application quantities may need to be pro rated where demand for Enduring Annual NTS Exit (Flat) Capacity exceeds that which is available or where allocation of an Enduring Annual NTS Exit (Flat) Capacity for an earlier period (e.g. M+6)

reduces the Enduring Annual NTS Exit (Flat) Capacity quantity available for a later period (e.g. Y+2).

8. Pro ration will be based on the maximum Enduring Annual application quantity. Where the pro rated quantity is less than [100,000] kWh the application will be rejected and the available Enduring Annual NTS Exit (Flat) Capacity quantity will be pro rated (where necessary) amongst those Enduring Annual Applications remaining
9. National Grid NTS will notify the User as soon as possible after an Ad-hoc application is received, but in any event by not later than fifteen Business Days after the application was received; unless National Grid NTS is of the opinion there is likely to be a requirement for capacity substitution or Incremental NTS Exit Capacity in accordance with the principles in the prevailing ExCS Methodology Statement, in which case ninety days after the application was received and subject to approval from the Authority;
 - a. National Grid NTS acceptance in full or, as the case may be, in part (if not rejected) a User's application (including a DNO User's revised application) for Enduring Annual NTS Exit (Flat) Capacity in accordance the ExCR and ExCS methodology statements;
 - b. Which of the User's applications have been accepted, and in each case for what amount of Enduring Annual NTS Exit (Flat) Capacity.
10. Within ten days of such a notification, National Grid NTS will publish:
 - a. the NTS Exit Point at which the Enduring Annual NTS Exit (Flat) Capacity is to be registered
 - b. the amount of Enduring Annual NTS Exit (Flat) Capacity registered;
 - c. the Registration Date(s)

Exit Capacity Substitution

11. Exit Capacity Substitution may be utilised to fully or partially meet demand for NTS Exit Capacity over and above Baseline NTS Exit Capacity levels applied for in the Application Windows or reserved through the PARCA. Such release and subsequent allocation and/or reservation through a PARCA will be subject to, and in accordance with, National Grid NTS's Exit Capacity Release (ExCR) and Exit Capacity Substitution and Revision (ExCS) Methodology Statements and subject to Ofgem approval (as it is today). There are a number of possible scenarios that need to be considered, namely:
 - a. The Enduring Annual NTS Exit (Flat) Capacity level can be fully met through substitution. National Grid NTS will present its substitution proposals to the Authority and hence this will be subject to Ofgem's approval.
 - b. Substitution is not available to meet the Enduring Annual NTS Exit (Flat) Capacity level applied for in the relevant Application Window. Under this scenario National Grid NTS will consider, entirely at its discretion, the release of Incremental NTS Exit Capacity and/or Discretionary NTS Exit Capacity to fully or partially meet the User demand.
 - c. Substitution is not available for Firm NTS Exit Capacity reserved through the PARCA. National Grid NTS will utilise Incremental NTS Exit Capacity (subject to Ofgem approval).
 - d. Substitution has been identified that can partially meet the User demand.
 - i. For Enduring Annual NTS Exit (Flat) Capacity applied for in the Application Window, National Grid NTS will consider Incremental and/or Discretionary NTS Exit Capacity release up to the remainder of the Enduring Annual NTS Exit (Flat) Capacity level.

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- ii. For Enduring Annual NTS Exit (Flat) Capacity reserved through the PARCA, National Grid NTS will utilise Incremental NTS Exit Capacity to meet the remainder of the reserved Enduring Annual NTS Exit (Flat) Capacity.
- e. No substitution, Incremental or Discretionary NTS Exit Capacity release is available to meet the User demand for Enduring Annual NTS Exit (Flat) Capacity over and above Unsold Baseline NTS Exit Capacity levels that was applied for in the relevant Application Window. Under such a scenario National Grid NTS may need to pro rate as previously detailed.

NTS Entry Capacity

March Quarterly System Entry Capacity auction (QSEC) for all Users (i.e. not subject to a PARCA)

12. National Grid NTS will, for each calendar quarter in Capacity Year Y+2 to Capacity Year +16 (inclusive), make available Unsold Baseline NTS Entry Capacity.
13. Where there is demand for Firm NTS Entry Capacity that is in excess of Unsold Baseline NTS Entry Capacity levels at an ASEP, and such demand has passed the Net Present Value test (in accordance with the IECR), then National Grid NTS may:
 - a. to the extent that it can, utilise substitution to meet some or all of the demand and/or
 - b. at its discretion, release Incremental NTS Entry Capacity and/or
 - c. where a and b are not possible for the entire period or where the NPV test has not been passed (in accordance with the IECR), at its discretion, release discretionary NTS Entry Capacity (i.e non-obligated) for some or all quarters that may partially (through pro ration) or fully meet such demand for those quarters.

NTS Entry Capacity – Ad-hoc QSEC auction “Open Season” type process

UNC (TPD B2.2.18) details the provisions for Ad-hoc QSEC auctions, which currently apply to new ASEPs only. This solution redefines the purpose of the Ad-hoc QSEC auction as an ad-hoc “Open Season” type auction that allows Users opportunity, outside of the annual March QSEC, to signal demand for Unsold Baseline NTS Entry Capacity at any ASEP that may otherwise be reserved through a PARCA. Under such a scenario the Ad-hoc QSEC auction will be conducted, as soon as reasonably practical, post agreement of a relevant PARCA between National Grid NTS and the relevant party. In inviting Users to participate in an ad-hoc QSEC, National Grid NTS will provide certain information to the industry that is pertinent to the relevant PARCA (whilst respecting commercial confidentiality), to ensure a well informed process e.g. identify where Available Unsold Capacity maybe at risk.

14. Available Unsold Baseline NTS Entry Capacity only will be made available through the ad-hoc QSEC auction, hence price steps will be published but supply levels will not.
15. Given the above changes, secondary ad-hoc QSEC auctions (ref TPD UNCB2.2.18 d) will not be required.
16. Given that unsold only is being released under this solution National Grid NTS anticipate allocating within 30 days of the final bid window closing

17. No other changes to the Ad-hoc QSEC process are currently envisaged

Entry Capacity Substitution

18. Entry Capacity Substitution may be utilised to fully or partially meet demand for NTS Entry Capacity over and above Baseline NTS Entry Capacity levels that is signalled through the March QSEC, or reserved through the PARCA. Such release and subsequent allocation and/or reservation through a PARCA will be subject to, and in accordance with, National Grid NTS's Incremental Entry Capacity Release (IECR) and NTS Entry Capacity Substitution (ECS) Methodology Statements and also subject to Ofgem's approval.
19. Substitution will only be utilised where the Net Present Value (NPV) test, detailed within the IECR, has been passed at the recipient ASEP. There are a number of possible scenarios that need to be considered, namely:
- a. The NPV test has been passed and the supply level can be fully met through substitution. National Grid NTS will present its capacity release and substitution proposals to the Authority and hence this will be subject to Ofgem's approval.
 - b. The NPV test has been passed but substitution is not available for the March QSEC. Under this scenario National Grid NTS will, to fully or partially meet the User demand signalled via the March QSEC, consider the release of Incremental NTS Entry Capacity and/or Discretionary NTS Entry Capacity for some or all of the relevant quarters.
 - c. The NPV test has been passed but substitution is not available for Firm NTS Entry Capacity reserved through the PARCA. National Grid NTS will utilise Incremental NTS Entry Capacity (subject to Ofgem approval).
 - d. The NPV test has been passed and substitution has been identified that can partially meet the User demand.
 - i. For the March QSEC National Grid NTS will re-evaluate the NPV test at the next highest supply level (if any) that can be met entirely through substitution. If the NPV test is passed then substitution will be proposed to meet the reduced quantity and National Grid NTS will consider Discretionary NTS Entry Capacity release to up to the original supply level. If the NPV test is not passed then the process will repeat at the next lowest supply level (if any) and so on.
 - ii. For Firm NTS Entry Capacity reserved through the PARCA, National Grid NTS will utilise Incremental NTS Entry Capacity to meet the remainder of the reserved NTS Entry Capacity.

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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.	Positive/Negative/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/Negative/None
c) Efficient discharge of the licensee's obligations.	Positive/Negative/None
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.	Positive/Negative/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.	Positive/Negative/None
f) Promotion of efficiency in the implementation and administration of the Code	Positive/Negative/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/Negative/None

The following section should explain how each of the impacts identified above would arise and so further the objective identified.

Insert subheading here

Insert text here

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5 Impacts and Costs

Concisely state the impact the modification will have on the relevant objectives. Indicate an estimate of likely implementation costs (if known).

Consideration of Wider Industry Impacts

Will the modification be impacted by or have an impact upon wider industry developments? If an impact is identified the Workgroup should justify why the benefit of the modification outweighs the potential impact.

Insert subheading here

Insert text here

Costs

Include here any proposal for the apportionment of implementation costs amongst parties.

Indicative industry costs – User Pays
Classification of the modification as User Pays or not and justification for classification
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
Proposed charge(s) for application of Users Pays charges to Shippers
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	•
Operational Processes	•
User Pays implications	•

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	•



Insert heading here

Use this column in a Q and A style for explanations, in order to preserve the flow of the main text.

Insert text here

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Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:
www.gasgovernance.co.uk/sites/default/files/0565.zip

Impact on Users	
Development, capital and operating costs	•
Contractual risks	•
Legislative, regulatory and contractual obligations and relationships	•

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	•
Development, capital and operating costs	•
Recovery of costs	•
Price regulation	•
Contractual risks	•
Legislative, regulatory and contractual obligations and relationships	•
Standards of service	•

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	•
UNC Committees	•
General administration	•

Impact on Code	
Code section	Potential impact
	•
	•

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	•
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	•

Impact on UNC Related Documents and Other Referenced Documents	
Storage Connection Agreement (TPD R1.3.1)	•
UK Link Manual (TPD U1.4)	•
Network Code Operations Reporting Manual (TPD V12)	•
Network Code Validation Rules (TPD V12)	•
ECQ Methodology (TPD V12)	•
Measurement Error Notification Guidelines (TPD V12)	•
Energy Balancing Credit Rules (TPD X2.1)	•
Uniform Network Code Standards of Service (Various)	•

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	•
Gas Transporter Licence	•

Other Impacts	
Item impacted	Potential impact
Security of Supply	•
Operation of the Total System	•
Industry fragmentation	•
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	•

6 Implementation



Insert heading here

Use this column in a Q and A style for explanations, in order to preserve the flow of the main text.

Insert text here

Include here a view on implementation including any assumptions, the costs and benefits of a range of implementation options and a justification. If a suggested implementation date is not provided and the Authority decision is to accept the Modification, then the Transporters will assess the most efficient implementation timescales.

If a timescale for implementation is proposed, the format explained below must be used, and brief reasons provided for each suggested date.

At least two fixed implementation Dates must be specified, and for each of these the latest date by which an implementation decision is required if the date is to apply: e.g. 01 June 2012 if a decision to implement is issued by 15 May 2012; 01 September 2012 if a decision to implement is received by 06 August 2012. In addition, a backstop lead time must be specified to allow for any later decision date: e.g. if a decision to implement is received after 06 August 2012, implementation 21 business days following the decision to implement.

Suggested wording for Self-Governance Modifications:

As self-governance procedures are proposed, implementation could be 16 business days after a Modification Panel decision to implement.

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7 The Case for Change

This section allows further development of the case than is included in the earlier summaries

In addition to that identified the above, the Proposer has identified the following:

Advantages

Insert text here

Disadvantages

Insert text here



Insert heading here

Use this column in a Q and A style for explanations, in order to preserve the flow of the main text.

Insert text here

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8 Legal Text

Text, either suggested or formal, should be inserted at this point. The status of this text should also be stated.

Suggested Text

Insert text here

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9 Recommendation



The Proposer invites the Panel to:

- DETERMINE that Modification XXXX progress to [Workgroup/Consultation]

Insert heading here

[Insert relevant text or delete box]

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