

CODE MODIFICATION PROPOSAL No. 0120V
"Introduction of an SO Commodity Charge for NTS Storage Exit Flows"
Version 1.0

Date: 21/12/2006

Proposed Implementation Date: 01/04/2007

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

National Grid NTS seeks this Modification Proposal to proceed direct to consultation in accordance with Section 7.3 of the modification procedures in the UNC.

Nature and Purpose of Proposal (including consequence of non implementation)

The UNC currently provides for the application of an SO commodity charge in respect of storage entry flows (withdrawals from storage) and Storage Use Gas i.e. gas that is deemed to exit the NTS at a storage point for purposes such as "boil off". No such provision exists in respect of storage exit flows (injection into storage).

National Grid NTS is to raise a pricing consultation (NTS GCM03 "Introduction of an SO Commodity Charge for NTS Storage Facilities") to propose the implementation of a reduced SO commodity charge rate on storage entry and exit flows compared to other entry and exit flows. The UNC arrangements would therefore need to be modified to provide for the application of the proposed charge rate to NTS storage exit flows.

It is intended that the proposed change to UNC for storage exit flows, together with the existing provisions in UNC with regard to storage entry flows and Storage Use Gas, would provide for an applicable SO commodity rate to apply to all storage flows, including Storage Use Gas. It is intended that National Grid NTS's Statement of the Gas Transmission Transportation Charging Methodology would describe the applicable charge rate that would apply to the respective storage quantities.

The SO commodity charges liable by Users at a Storage Facility would be calculated by applying the proposed SO storage commodity charge rate to both the User's daily storage input and output quantities, and by applying the existing standard SO commodity charge rate to Storage Use Gas quantities.

Implementation of the Proposal would thus enable implementation of charges that are to be proposed within NTS GCM03 in respect of storage exit flows. It is intended that these proposed charges would become effective from 1 April 2007.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

Implementation would in the Proposer's view allow implementation of the applicable SO commodity charge rates for storage exit flows and avoid inconsistency with the Gas Transmission Charging Methodology Statement. Implementation of this Proposal would thus further the efficient discharge of National Grid NTS's obligations under its Gas Transporter Licence and thus better facilitate the achievement of Standard Special Condition A11.1 (c).

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

a. Proposed implementation timetable

b. Proposed legal text

c. Advantages of the Proposal

National Grid NTS believes that this Proposal, if implemented, would provide for the implementation of the new SO storage commodity charge which is to be proposed within NTS GCM03, and would ensure alignment between the UNC and the (amended) Gas Transmission Transportation Charging Methodology Statement, subject to decision from the Authority, in respect of gas flows at NTS Storage Facilities.

d. Disadvantages of the Proposal

National Grid NTS is unaware of any disadvantages of the Proposal.

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

No such implications are envisaged.

f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including

i. implications for operation of the System

Implementation is not expected to affect the operation of the System.

ii. development and capital cost and operating cost implications

Any costs associated with changes to the billing systems are expected to be minimal.

iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs

Any costs associated with system development and operating processes would be covered under the internal cost incentive.

iv. analysis of the consequences (if any) this proposal would have on price regulation

Implementation would ensure alignment between the UNC and the proposed changes to the Gas Transmission Transportation Charging Methodology statement.

g. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

Implementation is expected to reduce the level of contractual risk of National Grid NTS by allowing it to charge Storage Users in accordance with its Gas Transmission Transportation Charging Methodology Statement.

h. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

As the NTS storage sites are invoiced by offline systems, any systems changes would not affect the core UK Link System.

i. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

No such implications are envisaged.

Code Concerned, sections and paragraphs

UNC Section B 1.8 and B 3.5

Proposer's Representative

Dominic Harrison (National Grid NTS)

Proposer

Paul Roberts (National Grid NTS)

Signature

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