

Draft Modification Report
Publication of Nodal NTS Demand Forecasts
Modification Reference Number 0134

Version 1.0

This Draft Modification Report is made pursuant to Rule 9.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

National Grid NTS sets capacity charges in accordance with its Gas Transmission Transportation Charging Methodology Statement (the “Charging Methodology”) utilising nodal annual supply and demand forecasts for various Gas Years provided through the Transporting Britain’s Energy (TBE) process. This data is also used to prepare a ten year supply and demand forecast which is published in National Grid NTS’ Ten Year Statement (TYS) in accordance with Section O4 of the Uniform Network Code (UNC). Although the TYS contains nodal supply forecasts, the UNC obliges National Grid NTS to only publish such demand forecasts at aggregated levels. Specifically, TPD Section O4.1.3 requires National Grid NTS to only publish forecasts in respect of System Exit Points on the following basis:

- in respect of LDZ Supply Points, on an aggregated basis by LDZ;
- in respect of NTS Supply Points, on an aggregated basis for the Total System as a whole.

National Grid NTS is therefore not able to publish the demand forecast data it utilises to set capacity charges. This means that Users are not able to repeat the charge setting process which National Grid NTS undertakes in accordance with the Charging Methodology. To improve transparency in respect of the capacity charge setting process, National Grid NTS considers that there would be merit in amending the UNC to allow publication of the nodal demand forecast data used in the relevant charging model. This would complement initiatives being discussed as part of the Gas Transportation Methodology Charging Forum (“Gas TCMF”) in respect of development and publication of a transparent capacity charging model.

It is therefore proposed that the UNC is amended to remove the current restrictions in respect of publication of demand forecasts at a nodal granularity such that National Grid NTS may publish, without breaching confidentiality obligations, the data it utilises to:

- set indicative or final capacity charges under the Charging Methodology; and
- determine indicative capacity charges under proposed amendments to the Charging Methodology.

However, this should be limited to publication of such data for the following 3 Gas Years only to avoid revealing commercially sensitive information with respect to potential new connections.

It should be noted that, as a result of discussions at the Gas TCMF, National Grid NTS has recently consulted on alternative ways to determine NTS Entry and Exit

Capacity Charges. This has led to a proposal (NTS GCM-01) being submitted on 25th January 2007 to the Authority to seek to implement a Transportation Model based on a single year analysis utilising supply / demand forecasts for each entry and exit node up to 3 years ahead. If this proposed amendment to the Charging Methodology is not vetoed, it would replace the current Transcost based approach utilising a 10 year supply / demand forecast for each entry and exit node.

In the event that this Proposal is not implemented, then National Grid NTS would not be able to publish the nodal forecast demand data it uses to set capacity charges to allow Users to repeat the charging setting process. In addition, in the event that the proposed amendment to the Charging Methodology NTS GCM-01 is not vetoed, Users would not be able to undertake scenario analysis using the Transportation Model, which has now been made available to Users.

2 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

The following views were expressed in respect of better facilitation of the relevant objectives as set out in the Gas Transporter Licence Standard Special Condition A11.1).

Standard Special Condition A11.1 (a): *the efficient and economic operation of the pipe-line system to which this licence relates;*

In the event that the proposed amendment to the Charging Methodology NTS GCM01 were not vetoed, implementation would allow Users to assess the impact of changes on capacity prices to changes in supply/demand forecasts and new connections using the proposed Transportation Model, which has now been made available to Users. This would allow Users to make better informed decisions in respect of their potential connections to and use of the NTS and thereby promote the economic and efficient operation of the System.

Standard Special Condition A11.1 (d): *so far as is consistent with sub-paragraphs (a) to (c) the 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;*

Implementation would improve the transparency of the capacity charge setting process and thereby promote competition between relevant shippers and between relevant suppliers.

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

No such implications have been identified.

4 The implications for Transporters and each Transporter of implementing the Modification Proposal including:

Modification Proposal, including:

a) implications for operation of the System:

Implementation would allow Users to use the proposed Transportation Model, if not vetoed, to assess the impact of changes on capacity prices to changes in supply/demand forecasts and new connections. This would allow Users to make better informed decisions in respect of their potential connections to and use of the NTS and thereby promote the economic and efficient operation of the System.

b) development and capital cost and operating cost implications:

No such implications have been identified.

c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

Not applicable.

d) Analysis of the consequences (if any) this proposal would have on price regulation:

No such consequences have been identified.

5 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

No such consequence has been identified.

6 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

No such implications have been identified.

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

Administrative and operational implications (including impact upon manual processes and procedures)

No such implications have been identified.

Development and capital cost and operating cost implications

No such implications have been identified.

Consequence for the level of contractual risk of Users

No such consequence has been identified.

8 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

No such implications have been identified.

9 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

No such consequences have been identified.

10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

- Implementation would facilitate greater transparency and clarity within the NTS capacity charge setting process.

Disadvantages

- Implementation could, in the extreme, impact on the participation levels for National Grid NTS consultative processes particularly Transporting Britain's Energy and the Winter Outlook report. However, in the event that the proposed amendment to the Charging Methodology NTC GCM-01 is not vetoed, then this Proposal is likely to only result in the publication of nodal demand data for up to 3 years ahead.

11 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

To date no written representations have been received in respect of this Proposal.

12 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

No such requirement has been identified.

13 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

No such requirement has been identified.

14 Programme for works required as a consequence of implementing the Modification Proposal

No programme for works has been identified that would affect the timely implementation of this Proposal.

15 Proposed implementation timetable (including timetable for any necessary information systems changes)

The Proposer suggested an implementation date of 01 April 2007, however this is no longer achievable.

16 Implications of implementing this Modification Proposal upon existing Code Standards of Service

No such implications have been identified.

17 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

18 Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

19 Text

Section O

Amend paragraph 4.1.2 to read as follows:

"4.1.2

(a)

(i)

(ii) in accordance with paragraph 4.1.3;

(b) estimates:

(i) for each of years 0 to 9 (or for certain of such years), of Total System 1-in-20 peak day demand.....;

(ii) for each of years 0 to 2, of 1-in-20 peak day demand in

accordance with paragraph 4.1.3;

- (c)
- (d)
- (e)
- (f)
- (g)

Notwithstanding the foregoing, National Grid NTS may elect to publish all or part of the information set out above either within the Ten Year Statement or separately (but at the same time as publishing the Ten Year Statement). Where National Grid NTS elects to publish such information separately from the Ten Year Statement, National Grid NTS shall not be required to update such information at any time after publication."

Amend paragraph 4.1.3 to read as follows:

"4.1.3 The details or estimates under paragraphs 4.1.2(a)(ii) and 4.1.2(b)(ii) will be given:

- (a) in respect of each NTS/LDZ Offtake on an individual basis;
- (b) in respect of each NTS Supply Point on an individual basis; and
- (c) in respect of each LDZ Connected System Exit Point on an aggregated basis by LDZ (but not for Storage Connection Points)."

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters

