

Modification Report
Reinstatement of NTS Interruption
Modification Reference Number 0239
Version 4.0

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

Where capitalised words and phrases are used within this Modification Proposal, those words and phrases shall usually have the meaning given within the Uniform Network Code (unless they are otherwise defined in this Modification Proposal). Key UNC defined terms used in this Modification Proposal are highlighted by an asterisk () when first used. This Modification Proposal*, as with all Modification Proposals, should be read in conjunction with the prevailing UNC.*

Background

As part of the reform of Offtake* arrangements, Ofgem approved Modification Proposal 0090 “Revised DN Interruption Arrangements” which had been raised jointly by the four Distribution Networks* in order to address perceived weaknesses in the existing DN Interruption* regime. One of the consequences of this proposal was the removal of the existing Interruption arrangements for both NTS* and DN Supply Points* from 01 October 2011. After this date DNOs* would have suitable levels of DN Interruption already tendered for, and it was anticipated that National Grid NTS* would have access to some form of curtailment of NTS Exit Capacity* through the development of NTS exit reform.

The Competition Commission ruling on the approval of Modification Proposal 0116V “Reform of the NTS Offtake Arrangements” and the consequential reconsideration and development of revised proposals means that this reform cannot now be implemented in sufficient time for the enduring NTS regime to take effect from the same date as the revised DN Interruption arrangements. Therefore beyond 01 October 2011, National Grid NTS will not be able to call on NTS Interruption to manage capacity constraints, and consequently there is a requirement to continue with the current Interruption regime for NTS directly connected loads, as the development of the NTS to meet the forecast Peak Day Demand* relies on NTS Interruption to balance demand against available supply in the most efficient and economic manner.

It should be noted that this proposal does not intend to change Users’ entitlement to receive reduced transportation charges for being an Interruptible load.

Proposal

The purpose of this Modification Proposal is to retain the ability of National Grid NTS to access existing NTS Interruption beyond October 2011 by amending the provisions of the Transitional Document. National Grid NTS is planning the development and operation of the system based on the Firm* requests received from each DNO as part of their annual Offtake Capacity Statement* and therefore does not require access to load connected to other

Transporter's* networks.

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

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

Implementation would better facilitate this objective by allowing National Grid NTS to continue to use NTS Interruption where it is more economic to do so rather than provide additional transportation capacity, use Operating Margins* gas or undertake entry capacity buy-backs to meet a within-day system constraint.

Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (a), the 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;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Reinstating access to NTS Interruption would remove the need to construct additional transportation capacity within very ambitious timescales to supply the forecast Peak Day Demand for 2011. Implementation of this Modification Proposal would therefore better facilitate this objective by permitting National Grid NTS to meet its licence obligation under SSC A9 in the most efficient way.

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 not be expected to better facilitate this relevant objective.

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

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

Implementation would not be expected to better facilitate this relevant objective.

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

Implementing this proposal would maintain the current level of economic and efficient operation of the System* by maintaining NTS Interruption as a commercial tool for managing capacity constraints.

In reinstating access to NTS Interruption, the split between Firm and Interruptible demand would be maintained and hence the level of fragmentation of the regime would continue pending future developments in NTS exit reform.

No implications upon security of supply have been identified.

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

a) Implications for operation of the System:

Implementing this proposal would maintain the current level of economic and efficient operation of the System* by preserving NTS Interruption as a commercial tool for National Grid to manage capacity constraints.

b) Development and capital cost and operating cost implications:

No such costs 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:

No such costs have been identified.

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

Not applicable.

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

Implementation of this proposal is anticipated to maintain the existing level of contractual risk by preserving NTS Interruption as an efficient commercial tool

for National Grid to manage capacity constraints.

- 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

Implementation of this proposal is anticipated to maintain the existing level of contractual risk by preserving NTS Interruption as an efficient commercial tool for National Grid to manage capacity constraints.

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

Implementation of this proposal is anticipated to maintain current operational arrangements for NTS directly connected customers beyond 01 October 2011 pending future developments in exit reform.

- 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**

There is no anticipated impact upon National Grid NTS's Safety Case* from the removal of the ability to require DNOs to interrupt at an LDZ* level to deal with an NTS constraint.

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

Advantages

- The efficient and economic operation of the System will be maintained by preventing inefficient investment and permitting NTS Interruption to be used as a system management tool where it is more economic than

alternatives such as Operating Margins, capacity buy-backs or system investment.

Disadvantages

No disadvantages have been identified.

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

Representations were received from the following parties:

| Organisation | | Position |
|---|-------|-----------------|
| Association of Electricity Producers | AEP | Supports |
| British Gas Trading Limited | BGT | Supports |
| EDF Energy plc | EDF | Supports |
| E.ON UK plc | EON | Supports |
| National Grid Distribution | NGD | Supports |
| National Grid NTS | NGNTS | Supports |
| RWE Npower | RWE | Supports |
| Scotia Gas Networks plc | SGN | Supports |
| Scottish and Southern Energy plc | SSE | Supports |
| ScottishPower Energy Management Limited | SCP | Supports |
| Statoil (U.K.) Limited | STUK | Supports |
| Wales & West Utilities Limited | WWU | Supports |

All twelve representations supported implementation of this Proposal.

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

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

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

Implementation is not 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.

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

No programme for works would be required as a consequence of implementing the Modification Proposal.

15 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

The Proposal could be implemented with immediate effect following direction from Ofgem.

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

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

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

At the Modification Panel meeting held on 22 January 2009, of the 9 Voting Members present, capable of casting 10 votes, 10 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal.

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 and Electricity Markets Authority in accordance with this report.

19 Text

UNIFORM NETWORK CODE - TRANSITION DOCUMENT

PART IIC – TRANSITIONAL RULES

4 TRANSITIONAL INTERRUPTION REGIME

Add new paragraph 4.1.3 to read as follows:

“4.1.3 For the period commencing on the interruption transition date and ending on (and including) 30 September 2012, paragraph 5 of this Part IIC shall apply in respect of NTS Supply Points only.”

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters