

**CODE MODIFICATION PROPOSAL No. 0249**  
**"Introduction of an Enduring Annual NTS Exit (Flat) Capacity Invitation Letter"**  
**Version 1.0**

**Date:** 06/04/2009  
**Proposed Implementation Date:** 01/06/2009  
**Urgency:** Not Urgent

## **1 The Modification Proposal**

- a)** *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 Uniform Network Code\* (UNC).*

There has been extensive industry discussion in relation to reform of the NTS\* Offtake\* arrangements, with 7 UNC Modification Proposals ultimately being considered by Ofgem (0116V, 0116CVV, 0116BV, 0116VD, 0116A, 0195 and 0195AV). This debate culminated in Ofgem's decision on 19<sup>th</sup> January 2009 to implement Modification Proposal 0195AV with an implementation date of 1<sup>st</sup> April 2009.

As a result of the subsequent implementation of Modification Proposal 0241, the first opportunity that Users\* will have to apply for Enduring Annual NTS Exit (Flat) Capacity\* under the enduring arrangements will be in the Annual Application Window\* to be held for the first time in July 2009.

It has come to National Grid NTS's attention that although the legal text contained within UNC TPD Annex B-1 paragraph 2 requires that National Grid NTS publish an annual capacity notification to Users no later than 28 days before the commencement of the Annual Application Window, UNC states that the Annex B-1 provisions do not apply to Enduring Annual NTS Exit (Flat) Capacity (Annex B-1 paragraph 1.1). Therefore the annual capacity notification that National Grid NTS is required to publish only covers the Annual NTS Exit (Flat) Capacity\* released for Y+1, Y+2 and Y+3 and there is no provision that requires a capacity notification to be published in relation to the Enduring Annual NTS Exit (Flat) Capacity that would be released in the Annual Application Window for Y+4, Y+5 and Y+6. This results in there being no obligation on National Grid NTS to publish a capacity notification in 2009 as Annual NTS Exit (Flat) Capacity will not start being released until the 2010 Annual Application Window.

National Grid NTS believes that it is important that a UNC obligation exists to provide for a capacity notification to be published in relation to the release of Enduring Annual NTS Exit (Flat) Capacity in the Annual Application Window.

The notification would specify all NTS Exit Points\* at which Users will be able to place applications and the Remaining Available NTS Exit (Flat) Capacity\* (i.e. unsold Capacity\*) available at each NTS Exit Point.

Some Users may be concerned that the release of this information could affect their commercial confidentiality, particularly at single User\* NTS Exit Points. However National Grid NTS would like to clarify that this information will be published from June 2010 onwards anyway in relation to the release of Annual NTS Exit (Flat) Capacity in the Annual Application Window and that it is important that a Modification Proposal is raised to ensure that this information is published in 2009 because:

- This creates a level playing field with all Users being able to see the unsold Capacity available at each NTS Exit Point;
- This information could potentially influence User participation in the July 2009 Annual Application Window or applications to reduce holdings of Enduring Annual NTS Exit (Flat) Capacity at the first opportunity to do so in the period 1<sup>st</sup> – 15<sup>th</sup> July 2009;
- The invitation letter would clarify the list of NTS Exit Points at which National Grid NTS is able to accept applications in the July 2009 Annual Application Window; and
- It would be beneficial for Users to know the unsold amount at each NTS Exit Point as this will affect commodity charges from 2012 onwards as prices will be set on baseline levels with any under recovery of revenue resulting from any unsold capacity being recovered through the TO commodity charge.

National Grid NTS is therefore proposing that the UNC be modified in order to place an obligation on National Grid NTS to publish a capacity notification in relation to the release of Enduring Annual NTS Exit (Flat) Capacity no later than 28 days prior to 1<sup>st</sup> July stating the Gas Years to which the notification relates, the NTS Exit Points to which the notification relates and the Remaining Available NTS Exit (Flat) Capacity for each of those Gas Years at each of those NTS Exit Points. .

**b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)**

Urgent Procedures are not requested.

**c) Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.**

This change is relatively minor but it is imperative that an Ofgem decision is received before 1 June 2009 in time for unsold quantities to be included in the invitation letter to be published 28 days before the July Annual Application Window, if the Modification Proposal is approved. Therefore National Grid NTS is requesting that this Modification Proposal proceed directly to consultation and that it be discussed at the May Transmission Workstream, within the consultation period, if required.

**2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives.**

National Grid NTS considers this proposal would, if implemented, better facilitate the following Relevant Objectives as set out in its Gas Transporters Licence in respect of the NTS:

- In respect of Standard Special Condition A11 1(a), the efficient and economic operation of the pipe-line system, this proposal, if implemented may lead to more efficient signals from Users in relation to their Capacity requirements, as the publication of unsold quantities available at each NTS Exit Point may lead to Users making more informed increase and / or reduction requests in the July 2009 Annual Application Window.
- In respect of Standard Special Condition A11 1(d), the securing of effective competition, National Grid NTS believes that this proposal, if implemented, would create a level playing amongst Users by publishing the Remaining Available NTS Exit (Flat) Capacity at all NTS Exit Points to all Users with the result being that all Users have access to the same information.
- In respect of Standard Special Condition A11 1(f), the promotion of efficiency in the implementation and administration of the uniform network code, this proposal, if implemented, would ensure that the release of Enduring Annual NTS Exit (Flat) Capacity is consistent with the release of Capacity through other entry and exit long term mechanisms where the standard practice is to publish an invitation letter 28 days prior to the release mechanism being opened. National Grid NTS believes that it would be beneficial if the UNC obligations in relation to the Enduring Annual NTS Exit (Flat) Capacity release mechanism were consistent with other release mechanisms contained within the UNC.

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

Not applicable.

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

**a) The implications for operation of the System:**

No implications on operation of the System have been identified.

**b) The development and capital cost and operating cost implications:**

No cost implications have been identified.

**c) Whether it is appropriate to recover all of any of the costs and, if so, a Proposal for the most appropriate way for these costs to be recovered:**

Not applicable.

**d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

National Grid NTS believes that the publication of a capacity notification specifying the NTS Exit Points at which applications will be accepted and the unsold amounts is important because of the reasons outlined at the beginning of this proposal. Without a UNC obligation being introduced by this proposal, National Grid NTS would not be able to publish this information without increasing its contractual risk due to the commercial confidentiality issues already described. Therefore implementation of this proposal would allow for the relevant information to be published to the benefit of all Users without affecting the contractual risk of National Grid NTS.

**5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)**

Not applicable.

**6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users**

Not applicable.

**7 The implications for Users of implementing the Modification Proposal, including:**

**a) The administrative and operational implications (including impact upon manual processes and procedures)**

National Grid NTS believes the only administrative implication will be a positive one as this proposal, if implemented, would result in more information being

available to Users prior to the Annual Application Window and may therefore ease the process of participating in this window.

**b) The development and capital cost and operating cost implications**

National Grid NTS believes there are no development, capital or operating cost implications.

**c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

No consequences on the level of contractual risk have been identified.

**8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)**

National Grid NTS believes this proposal if implemented presents a level playing field across all Users as the same information would be provided to all Users in relation to all NTS Exit Points.

**9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters**

National Grid NTS has not identified any such consequences.

**10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above**

**Advantages**

National Grid NTS believes that the benefits of this proposal are that:

- It would improve the UNC document by making the obligations on National Grid NTS in relation to invitation letters consistent across all long term Capacity release mechanisms.
- Publication of capacity notification and the information contained within would
  - Create a level playing field with all Users being able to see the unsold Capacity available at each NTS Exit Point;
  - Clarify the list of NTS Exit Points at which National Grid NTS is able to accept applications in the July 2009 Annual Application Window; and

- Be beneficial for Users in order for them to have some understanding of the impact on TO commodity charges.

### **Disadvantages**

- National Grid NTS recognises that it is regrettable to be raising a proposal in relation to the Annual Application Window at such a late stage but this is due to the omission being identified at a late stage. National Grid NTS believes it is of more benefit to raise a proposal at this late stage than not raise a proposal and then have no authority to issue an invitation letter containing the unsold values.

### **11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)**

Not applicable.

### **12 Detail of all other representations received and considered by the Proposer**

Not applicable.

### **13 Any other matters the Proposer considers needs to be addressed**

Not applicable.

### **14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal**

Proposal submitted to Mod Panel	06/04/09
Proposal discussed at Mod Panel	16/04/09
Proposal issued for consultation (subject to Panel approval)	17/04/09
Proposal discussed at Transmission Workstream	07/05/09
Closeout for representations	11/05/09
FMR submitted to Mod Panel	13/05/09
Modification Panel decide upon recommendation	21/05/09
FMR submitted to Ofgem	22/05/09
Proposed implementation date	01/06/09

### **15 Comments on Suggested Text**

To be advised.

### **16 Suggested Text**

To be advised.

**Code Concerned, sections and paragraphs**

**Section(s)**

UNC Transition Document, Section B and Annex B-1

**Proposer's Representative**

Claire Dykta (National Grid NTS)

**Proposer**

National Grid NTS