

**CODE MODIFICATION PROPOSAL No 0195A**  
**Introduction of Enduring NTS Exit Capacity Arrangements**  
**Clarification of elements of the proposal**

A number of industry colleagues have contacted me seeking clarification on elements of the 0195A proposal and the Draft Modification Report. This proposal was developed following detailed discussion at the 0166 Review Group and Transmission Workstream. The Daily Off-Peak NTS Exit (Flat) Capacity product evolved from discussion on a new form of annual interruptible service; however it became clear that such service was impractical if it formed part of a proposal based on the main proposal 0195. There are a number references in the 0195A text that do not appear to fully reflect these developments.

The Off-Peak label is intended to differentiate 0195A from the 0195 daily interruptible product in that by clearly defining the capacity release in off-peak periods users can pro-actively plan to avoid the peaks whereas the discretionary release under 0195 does not provide the degree of certainty to enable parties to make such decisions.

**Specific Points**

- The ability of a User to reduce his holding of Enduring NTS Exit (Flat) Capacity following initialisation of the regime is exactly the same the mechanism described in 0195 although endnote iv on page 4 does not make this clear. This should more accurately have said

*“As set out below on page 6 of the proposal, the user can in full or part reduce his Enduring NTS Exit (Flat) Capacity allocated to him and instead at his own risk rely on purchases of shorter-tem capacity services including Daily Off-Peak NTS Exit (Flat) Capacity.”*

- All overrunning users irrespective of the form of capacity they hold at the end of the gas day are required to apply for Enduring NTS Exit (Flat) Capacity in the next Annual Application Window. This is outlined in the following paragraph taken from page 6 of the proposal.

*“In the event a User incurs an NTS Exit (Flat) Capacity Overrun Charge on a Day that User shall be required to apply for Enduring NTS Exit (Flat) Capacity in the next available Annual Application Window. The quantity of Enduring NTS Exit (Flat) Capacity it shall be required to apply for shall be equivalent to the maximum NTS Exit (Flat) Capacity Overrun quantity during the 12 months preceding the commencement of that Annual Application Window.”*

Thus a User that generally relies on offtaking gas against firm capacity holdings will be treated in the same way as a user that chooses rely on Daily Off-Peak NTS Exit (Flat) Capacity (should such capacity is made available). Exceeding your end of day capacity holdings will result in ‘penalty’ overrun charges and a requirement to apply for Enduring NTS Exit (Flat) Capacity.

An industry colleague has pointed out that the minimum eligible amount that users can apply for is 100,000kWh/d (see page 11 of the proposal). It would therefore seem appropriate to address this technical issue by waiving the obligation for overrunning users to apply for Enduring NTS Exit (Flat) Capacity in the next Annual Application Window where the relevant overrun quantity is less than this amount. The overrun charge would still however remain payable in the normal way. This could be made clear by adding the following additional sentence at the end of the paragraph quoted in italics above.

*“The above mandatory application process shall not apply where the relevant NTS Exit Flat Capacity Overrun quantity is less than 100,000 kWh.”*

- The assignment process for transfer of any obligation to apply for Enduring NTS Exit (Flat) Capacity briefly described on page 6 and in endnote (vii) is intended to accommodate a situation where a Transmission Connected Customer (TCC) has chosen to change their shipper and the retiring shipper that holds a future obligation to apply for Enduring NTS Exit (Flat) Capacity wishes to transfer this to the new shipper. Such situations are likely to be very infrequent and the retiring shipper would in any event have to ensure his sales contract with the TCC required the transfer of the obligation to the new shipper.

For the sake of simplicity and given assignment of capacity can, if need be, be effected after the retiring shipper acquired the mandated amount of Enduring NTS Exit (Flat) Capacity it is on reflection probably better to delete this assignment process.

- Section 5 of the Draft Modification Report and Section 5 of Modification Proposal 0195 deals with Exit Capacity Management. **.NGG's rights to curtail Daily Off-Peak NTS Exit (Flat) Capacity under 0195A are identical to their rights to curtail Daily Interruptible NTS Exit (Flat) Capacity under 0195.** Some confusion may have been caused because of the reference to an "Interruptible Exit (Flat) Capacity Curtailment Notice" under 0195A perhaps this should have been renamed as "Off-Peak Exit (Flat) Capacity Curtailment Notice."

If necessary E.ON UK intends to request a variation to proposal 0195A to clarify the points raised in this note. Rather than submit this now however, we thought it better to wait for the modification consultation responses to be received by the Joint Office just in case there are any other additional matters raised by consultees that might also warrant inclusion in a variation to the proposal.

I trust this note helps colleagues understand the intent of 195A.

Peter Bolitho  
E.ON UK plc  
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