

Workstream Report
To facilitate the release of Additional NTS Exit (Flat) Capacity at National Grid NTS's discretion
Modification Reference Number 0290
Version 0.2

This Workstream Report is presented for the UNC Modification Panel's consideration. The Transmission Workstream considers that the Proposal is [sufficiently developed and should now proceed to the Consultation Phase. The Workstream also recommends that the Panel requests the preparation of legal text for this Modification Proposal.]

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 Uniform Network Code* (UNC).*

Background

Implementation of Modification Proposal* 0195AV established the basis for the reform of NTS Exit Capacity* booking arrangements that, in full, are scheduled to come into effect on 1 October 2012.

As part of these arrangements Users* will be able to apply for Annual NTS Exit (Flat) Capacity* rights in a July Annual Application Window * in Gas Year* (Y) for use in Gas Year Y+1, Y+2 or Y+3. These applications will be for a set quantity of Annual NTS Exit (Flat) Capacity* for each Day* of the Gas Year. Where National Grid NTS* receives such applications for Annual NTS Exit (Flat) Capacity it will allocate in full at each NTS Exit Point* where the aggregate amount of Annual NTS Exit (Flat) Capacity applied for is less than or equal to the total amount of Annual NTS Exit (Flat) Capacity National Grid NTS has released. Where the requests in aggregate exceed the amount of Annual NTS Exit (Flat) Capacity National Grid NTS has released at an NTS Exit Point, applications will be pro rated. There is currently no facility for National Grid NTS to release additional Annual NTS Exit (Flat) Capacity, above the unsold quantity, and as such satisfy a greater proportion of requests.

Proposal

National Grid NTS proposes that the UNC be amended to enable National Grid NTS, at its discretion, to release additional Annual NTS Exit (Flat) Capacity* for use in Gas Year Y+1, Y+2 or Y+3, where the aggregate quantity applied for is greater than the Remaining Available NTS Exit (Flat) Capacity*.

National Grid NTS proposes that it be able to release additional Annual NTS Exit (Flat) Capacity, at its discretion, at a level that exceeds the Baseline NTS Exit (Flat) Capacity* amount.

National Grid NTS proposes that any such release of additional Annual NTS Exit (Flat) Capacity shall:

- be limited solely to the release of Annual NTS Exit (Flat) Capacity in the Annual

Application Window*

- be at the sole discretion of National Grid NTS
- be subject to the same price that would be applied if the additional Annual NTS Exit (Flat) Capacity was released as Remaining Available NTS Exit (Flat) Capacity*
- be in excess of the Remaining Available NTS Exit (Flat) Capacity.
- be applied solely for a Gas Year* i.e. where a User requests Annual NTS Exit (Flat) Capacity for any of Gas Years Y+1 and/or Y+2 and/or Y+3 any additional Annual NTS Exit (Flat) Capacity that is released in response to that request will be applicable for that specific Gas Year only

National Grid NTS proposes, that Users will pay NTS Exit (Flat) Capacity Charges* for all the NTS Exit (Flat) Capacity that is allocated through this process i.e the amount of the Users Registered NTS Exit (Flat) Capacity registered (pursuant to the allocation) multiplied by the Applicable Daily Rate*.

National Grid NTS also proposes, that any additional Annual NTS Exit (Flat) Capacity allocated through this process shall be considered in respect of overruns and the calculation of Overrun Charges*.

- Allocated Annual NTS Exit (Flat) Capacity shall be included in the User's aggregate Available NTS Exit (Flat) Capacity* to determine the Overrun Quantity*

Users will be informed of their allocations by National Grid NTS no later than ten (10) Business Days after the end of the Annual Application Window*.

2 User Pays

a) Classification of the Proposal as User Pays or not and justification for classification

The User Pays Service* that is being proposed in this Modification Proposal is to enable Users to be allocated additional Annual NTS Exit (Flat) Capacity, at National Grid NTS' discretion, in excess of the unsold quantity that National Grid NTS is obligated to release for any of Gas Years Y+1, Y+2 and Y+3. It is the view of National Grid NTS that this Proposal is a change/addition to the services provided by xoserve and as such National Grid NTS is of the view that this is a User Pays Proposal.

National Grid NTS believe that this change will provide a clear benefit for all parties; DNO Users*, Shipper Users* and National Grid NTS. All parties will benefit from National Grid NTS having the facility to release additional quantities of Annual NTS Exit (Flat) Capacity to the market in response to Industry need.

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

Due to this Proposal requiring a change to the service offered by xoserve National Grid NTS is of the view (as outlined above) that this is a User Pays Proposal, however xoserve have confirmed that the facility to release additional NTS Exit (Flat) capacity at a level that is greater than the remaining available NTS Exit (Flat) Capacity can be catered for under the current Exit Reform system development and as such can be done at zero cost.

National Grid NTS proposes due to the reasons outlined above, that the split of the recovery of Implementation Costs should be:

50% Shipper Users 50% Transporters

National Grid NTS proposes that the Shipper User element of the Implementation costs be recovered via a one off implementation charge that is met by those Shipper Users who have NTS Exit (Flat) Capacity holdings and would therefore benefit from this Proposal.

The Shipper User costs would be pro rated between Shipper Users based on their NTS Exit (Flat) Capacity holdings as a proportion of the total NTS Exit (Flat) Capacity holdings held by all Shipper Users as of the 1st October 2012 as registered by National Grid NTS on the implementation date of this Modification Proposal. These charges will be one off charges invoiced in the month following the introduction of the systems and processes that enable this change, in effect:

$$\frac{\text{Shipper User NTS Exit (Flat) Capacity holdings}}{\sum \text{all Shipper Users NTS Exit (Flat) Capacity holdings}} * \text{Shipper Proportion of Implementation Costs}$$

c) Proposed charge(s) for application of Users Pays charges to Shippers

Any final individually invoiced amount will be subject to an assessment of the NTS Exit (Flat) Capacity held by Shipper Users for the 1 October 2012 on implementation of this Modification Proposal and the final system implementation costs. Utilising the current levels of NTS Exit (Flat) Capacity held by Shipper Users (for the 1 October 2012) and the ROM Cost estimate provided by xoserve, gives the following cost:

Cost per unit of capacity held 0.0000p/kWh

d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

Any charge applied will be based on the formula outlined in Section 2 b) above and will be dependent upon actual costs received from xoserve

3 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;

For the reasons given below, the Proposer believes that this Proposal will better facilitate relevant objectives A11.1 (a)

- This Proposal would allow National Grid NTS to release additional Annual NTS Exit (Flat) Capacity to the market in response to industry demand, this will give National Grid NTS the flexibility to respond to demand and release NTS Exit (Flat) Capacity that would otherwise not be available to the market maximising the most efficient use of the NTS.

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;

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

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 sub-paragraphs (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.

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

National Grid NTS believes that this Proposal, if implemented, may enhance the operation of the Total System by allowing Users the opportunity to obtain additional Annual NTS Exit (Flat) Capacity than would otherwise be the case.

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

a) Implications for operation of the System:

National Grid NTS does not believe this Proposal, if implemented, would adversely affect the physical operation of the System.

b) Development and capital cost and operating cost implications:

National Grid NTS does not believe that this Proposal, if implemented will have any cost implications with regards system implementation and operating costs.

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:

Not applicable.

6 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

National Grid NTS believes that the Proposal will have no material impact on the level of contractual risk of each Transporter.

7 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

National Grid NTS will need to undertake development of the UK-Link system to accommodate this Proposal. National Grid NTS raised a ROM (Rough Order of Magnitude) request with xoserve to ascertain the indicative costs, xoserve's response has indicated that the change can be done at zero cost.

Please note the following:

- That the costs utilised are Rough Order of Magnitude Costs and may be subject to change

- That the NTS Exit (Flat) Capacity figure used reflects the level of NTS Exit (Flat) Capacity that Shipper Users currently hold and may be subject to change.

As such any charge will be indicative only.

8 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)

National Grid NTS is not aware of any such implications but would welcome responses from Users in this area.

Development and capital cost and operating cost implications

National Grid NTS is not aware of any such implications but would welcome responses from Users in this area.

Consequence for the level of contractual risk of Users

National Grid NTS is not aware of any such implications but would welcome responses from Users in this area.

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

National Grid NTS is not aware of any implications, but would welcome responses from Users in this area.

10 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

National Grid NTS is not aware of any such consequences.

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

Advantages

- would facilitate additional flexibility in making additional NTS Exit (Flat) Capacity available to Users
- may enable Users to adjust their portfolio of Annual NTS Exit (Flat) Capacity holdings as their demand forecasts become more certain.
- would allow Users the opportunity to secure additional NTS Exit (Flat) Capacity, therefore allowing gas flows that may otherwise be prevented under the current UNC arrangements.

Disadvantages

No disadvantages have been identified.

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

No written representations have been received.

13 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.

14 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.

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

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

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

17 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.

18 Workstream recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

The Transmission Workstream considers that the Proposal is [sufficiently developed and should now proceed to the Consultation Phase. The Workstream also recommends that the Panel request the preparation of legal text for this Modification Proposal.]