

**Terms of Reference – v0.1**  
**UNC Modification Reference Number 0166**  
**Review of necessary reform of NTS Offtake Arrangements**

## 1. Background

Following the decision of the Competition Commission to uphold the appeal against the decision to implement Modification Proposal 0116V it is clear that the industry should consider what alternative NTS offtake arrangements should be brought forward.

## 2. Purpose

This Review Group shall consider:

- How best to monitor the availability of, and variation in, NTS linepack and the adequacy of arrangements for managing within-day flow variation for all NTS users.
- The size, duration and flexibility of user commitments for incremental NTS capacity taking into account the primary needs of National Grid NTS and Users to make efficient investment decisions. This shall include arrangements for all Users to secure capacity in advance.
- ~~The design of relevant exit capacity products and their appropriateness for example, for exports through interconnectors, injections in to storage and back-up supplies to directly connected customers. In particular the cost of providing access given different patterns of usage shall be considered.~~
- How interruptible services shall be offered to NTS users ~~.- This shall include consideration of the implications of Transmission Access Regulation EC NO 1775/2005.~~
- Compensation arrangements should exit capacity not be made available.
- The compatibility of any arrangements with existing or proposed 'downstream' arrangements at connected systems particularly those of gas interconnectors that transport gas to other member states of the EU.
- Relevant consequential impacts on Gas Distribution Networks.
- Exit capacity overrun arrangements
- The release mechanisms for exit capacity.

## 3. Scope and Deliverables

The Review Group's remit is to focus on changes to the Uniform Network Code and relevant ancillary documents. Where there are likely to be interactions with other industry documents that are not subject to UNC Governance such as the charging methodologies, the Incremental Capacity Release Statement and Procurement Guideline the group shall suggest possible amendment for consideration by National Grid.

The Review Group shall endeavour to complete its deliberations in time for the UNC Panel of 20 December 2007. The target deliverable shall be to submit any fully drafted Modification Proposal that may be identified with the majority endorsement of the Review Group.

Monthly process reports shall be provided to the UNC Panel. .

#### **4. Limits**

The Review Group shall seek to develop proposals that are cost effective and focus on reforms that are proportionate, targeted and necessary. It is not proposed that the Review Group should undertake a detailed cost-benefit analysis, but the Group should seek to gather as much evidence and data as possible in support of any resulting Modification Proposal, and to inform any subsequent Ofgem Impact Assessment.

#### **5. Composition**

As the implications of changes to the NTS offtake arrangements are wide-ranging it is important that the group membership is drawn from a cross-section of industry representatives and relevant stakeholders. Thus in addition to National Grid NTS, Distribution Networks and UNC Users, the regulator, interconnector users, storage operators and directly connected customers should be invited to participate.

##### **Name Organisation**

A Review Group meeting will be quorate providing at least 2 Transporter and 2 User representatives are present.

The Review Group may invite specialists to attend as necessary

#### **6. Information Sources**

- Uniform Network Code – Section B
- National Grid Gas plc, Gas Transporter Licence in respect of the NTS.
- Relevant public domain papers provided to the Competition Commission during the 0116V/0116A appeals process.

#### **7. Timetable**

Joint Office of Gas Transporters  
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- Frequency of meetings – at least monthly. The frequency of meetings will be subject to review and potential change by the Review Group.
- Meetings will be administered by the Joint Office and conducted in accordance with the Chairman’s Guidelines.