

**CODE MODIFICATION PROPOSAL No. 00XX**  
“Publication of Nodal NTS Demand Forecasts” v0.6

**DRAFT**

**Date:** 31 October 2006

**Proposed Implementation Date:** 1 April 2007

**Urgency:** Non-Urgent

**Proposer’s preferred route through modification procedures and if applicable, justification for Urgency**

(see the criteria at [http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752\\_Urgency\\_Criteria.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf))

The Proposer suggests that this Proposal proceeds straight to consultation in accordance with Section 7.3 of the Modification Rules.

**Nature and Purpose of Proposal (including consequence of non implementation)**

National Grid NTS sets capacity charges in accordance with its Gas Transmission Charging Methodology Statement utilising nodal supply and demand forecasts provided through the Transporting Britain’s Energy (TBE) process. This data is also used to prepare a ten year supply and demand forecast which is published in National Grid NTS’ Ten Year Statement (TYS) in accordance with Section O4 of the Uniform Network Code (UNC). However, the UNC obliges National Grid NTS to only publish such demand forecasts at aggregated levels. Specifically, TPD Section O4.1.3 requires National Grid NTS to only publish forecasts in respect of System Exit Points on the following basis:

- in respect of LDZ Supply Points, on an aggregated basis by LDZ;
- in respect of NTS Supply Points, on an aggregated basis for the Total System as a whole.

National Grid NTS is therefore not able to publish the demand forecast data it utilises to set capacity charges. This means that Users are not able to repeat the charge setting process which National Grid NTS undertakes in accordance with its Gas Transmission Charging Methodology Statement. To improve transparency in respect of the capacity charge setting process, National Grid NTS considers that there would be merit in amending the UNC to allow publication of the data used in the relevant charging model. This would complement initiatives being discussed as part of the Gas Transportation Methodology Charging Forum (Gas TCMF) in respect of development and publication of a transparent charging model.

It is therefore proposed that the UNC is amended to allow publication of demand forecasts by NTS Exit Point as used in the capacity charge setting process. It is envisaged that this data would be made available as part of the release of a capacity charge setting model.

The nodal demand data currently used within the Capacity Charge Setting process that National Grid NTS seeks to publish is:

- Forecast 1:20 Peak Day Firm Demand per NTS Site
- Forecast 1:20 Peak Day Firm per DN Offtake

It should be noted that while the current capacity charging methodology based on the Transcost model uses a 10 year supply / demand forecast for each entry and exit node in order to determine the Long Run Marginal Costs (LRMCs) for each entry to exit route, the alternative Transportation Model under debate as part of the Gas TCMF would only use forecasts for three years ahead.

In the event that this Proposal is not implemented, then National Grid NTS would not be able to publish the data it uses to set capacity charges to allow Users to repeat the charging setting process.

**Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence**

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 paragraph A11.1 (a), the Proposal would allow Users to use the Capacity Charging model, when published, to assess the impact of changes on capacity prices to changes in supply/demand forecasts and new connections. This would allow Users to make better informed decisions in respect of their potential connections to and use of the NTS and thereby promote the economic and efficient operation of the System;
- in respect of paragraph A11.1 (d), the Proposal would improve the transparency of the capacity charge setting process and thereby promote competition between relevant shippers and between relevant suppliers.

**Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text**

**a. Proposed implementation timetable**

**b. Proposed legal text**

**c. Advantages of the Proposal**

National Grid NTS believes that this Proposal will facilitate greater transparency and clarity within its capacity charge setting process.

**d. Disadvantages of the Proposal**

National Grid NTS recognises that this Proposal could impact on the participation levels for National Grid NTS consultative processes particularly Transporting Britain's Energy and the Winter Outlook report.

**e. 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, would not materially impact upon security of supply, operation of the Total System, or industry fragmentation.

**f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including**

**i. implications for operation of the System**

National Grid NTS considers that this Proposal, if implemented, would allow Users to use the Capacity Charging model, when published, to assess the impact of changes on capacity prices to changes in supply/demand forecasts and new connections. This would allow Users to make better informed decisions in respect of their potential connections to and use of the NTS and thereby promote the economic and efficient operation of the System.

**ii. development and capital cost and operating cost implications**

National Grid NTS believes this Proposal, if implemented, would have no capital cost or operating cost implications.

**iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs**

National Grid NTS believes that this Proposal will not require it to recover additional costs.

**iv. analysis of the consequences (if any) this proposal would have on price regulation**

National Grid NTS believes that this Proposal will have no consequences on price regulation.

**g. 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 has no impact on the level of contractual risk that a Transporter is exposed to.

**h. 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 does not envisage that implementation of this proposal will have an impact on the UK Link System.

**i. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

National Grid believes this Proposal has no impact on Users for administrative and operational costs and level of contractual risk.

**Code Concerned, sections and paragraphs**

UNC sections O4

**Proposer's Representative**

Fergus Healy (National Grid NTS)

**Proposer**

Paul Roberts (National Grid NTS)

**Signature**

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