

MODIFICATION 0501 TREATMENT OF EXISTING ENTRY CAPACITY RIGHTS AT THE BACTON ASEP TO COMPLY WITH EU CAPACITY REGULATIONS

[Draft proposed legal text]

TRANSITION DOCUMENT

Add new Part V to read as follows:

UNIFORM NETWORK CODE - TRANSITION DOCUMENT

PART V[B]¹ - RE-ALLOCATION OF NTS ENTRY CAPACITY AT BACTON ASEP

1 Introduction

1.1 With effect from 1 November 2015 there will be two new ASEPs at Bacton, the Bacton IP ASEP and the Bacton UKCS ASEP (each a "**new ASEP**") and this Part VB contains provisions for the re-allocation of Bacton Users' Relevant Registered NTS Entry Capacity at the Bacton ASEP as:

- (a) Registered Interconnection Point Capacity at the Bacton IP ASEP; or
- (b) Registered NTS Entry Capacity at the Bacton UKCS ASEP.

1.2 For the purposes of this Part VB:

- (a) "**Bacton ASEP**" means the Aggregate System Entry Point comprising, for the purposes of National Grid NTS' Transporter's Licence, the Bacton NTS Entry Point;
- (b) "**Bacton IP ASEP**" means the Aggregate System Entry Point which will comprise, for the purposes of National Grid NTS' Transporter's Licence, the [Bacton IP NTS Entry Point];²
- (c) "**Bacton UKCS ASEP**" means the Aggregate System Entry Point which will comprise, for the purposes of National Grid NTS' Transporter's Licence, the [Bacton UKCS NTS Entry Point];³
- (d) "**Bacton User**" means a User who holds Relevant Registered NTS Entry Capacity at the Bacton ASEP on the relevant date for any period after 31 October 2015;
- (e) "**re-allocation invitation**" is an invitation made by National Grid NTS inviting Bacton Users to propose a re-allocation of Relevant Registered NTS Entry Capacity in accordance with this Part VB;

¹ Part VA will contain other transitional rules, e.g. as to effectiveness of different Modifications.

² To confirm name of new NTS Entry Point to be used in NGG's Transporter's Licence.

³ To confirm name of new NTS Entry Point to be used in NGG's Transporter's Licence.

- (f) **"re-allocation notification"** is a notification submitted by a Bacton User in response to a re-allocation invitation;
- (g) **"re-allocation period"** means the period commencing on the day on which National Grid NTS issues a re-allocation invitation under paragraph 2.1 and ending (and including) the day on which National Grid NTS gives a notification in accordance with paragraph 4.3;
- (h) **"relevant date"** means the first day of the re-allocation period;
- (i) **"relevant proportion"** means, in respect of a new ASEP for a relevant month or relevant quarter or Transferred System Capacity under a Relevant Transfer, the proportion calculated as follows:

$$\text{OEC} / \text{TOEC}$$

where, for each day in the relevant month or relevant quarter:

OEC is the Obligated Entry Capacity for the new ASEP;

TOEC is the Total Obligated Entry Capacity;

- (j) **"Relevant Registered NTS Entry Capacity"** means, in respect of a Bacton User, the Registered NTS Entry Capacity held by the User at the Bacton ASEP on the relevant date in respect of:
 - (i) any month in the period November 2015 to September 2016 (inclusive) ("**relevant month**");
 - (ii) any calendar quarter in the period October 2016 to September 2031 (inclusive) ("**relevant quarter**");
- (k) **"Relevant Transfer"** means, in respect of a Bacton User, a System Capacity Transfer in respect of which:
 - (i) the Bacton User is the Transferor User;
 - (ii) the Bacton ASEP is the Transfer System Point; and
 - (iii) the Transfer Period comprises a relevant month or relevant quarter (or consecutive relevant months or relevant quarters) (such period the "**Relevant Transfer Period**");
- (l) **"Total Obligated Entry Capacity"** means in relation to each Day in a calendar month the sum of the Obligated Entry Capacity for the Bacton IP ASEP and the Bacton UKCS ASEP; and
- (m) the "**weighted average**" of the Applicable Daily Rates payable by a Bacton User in respect of a relevant month or relevant quarter is:⁴

⁴ Algebra to be confirmed; equation follows current approach re weighted average calculations, e.g. see TPD B2.14.2(f).

$$\frac{\sum_{i=1}^n Q_i * P_i}{\sum_{i=1}^n Q_i}$$

where:

- n is the number of successful capacity bids submitted by the User for the relevant month or relevant quarter;
- Q is the amount of NTS Entry Capacity allocated to each successful relevant capacity bid; and
- p is the bid price of each successful capacity bid.

1.3 A re-allocation invitation shall:

- (a) invite each Bacton User to propose a re-allocation of the User's Relevant Registered NTS Entry Capacity as:
 - (i) Registered Interconnection Point Capacity at the Bacton IP ASEP; or
 - (ii) Registered NTS Entry Capacity at the Bacton UKCS ASEP;
- (b) specify:
 - (i) each relevant month and relevant quarter in respect of which the invitation applies;
 - (ii) the date falling twenty (20) Business Days after the date of the re-allocation invitation by which a Bacton User may submit a re-allocation notification;
 - (iii) [the facsimile number] the Bacton User should use for the purposes of submitting a re-allocation notification;⁵
 - (iv) the date by which National Grid NTS will notify Bacton Users of the result of a re-allocation in accordance with paragraph 2 or (as the case may be) paragraph 3; and
 - (v) in the case of a re-allocation invitation under paragraph 3 only, the aggregate amount of NTS Entry Capacity which Bacton Users proposed for re-allocation (or was deemed proposed) at each new ASEP for the relevant month(s) and relevant quarter(s) in respect of which the re-allocation invitation under paragraph 3 is made, and for each such month or quarter the over-subscribed ASEP and the over-subscribed amount;
- (c) specify, in respect of the Bacton User to whom invitation is sent:
 - (i) the Bacton User's Relevant Registered NTS Entry Capacity for each relevant month and relevant quarter;

⁵ NGG to confirm use of facsimile.

- (ii) the weighted average of the Applicable Daily Rates payable by the Bacton User for Relevant Registered NTS Entry Capacity for the relevant month or relevant quarter;
- (iii) in respect of each Relevant Transfer, the Transferred System Capacity and the Relevant Transfer Period.

1.4 A re-allocation notification shall specify:

- (a) the identity of the Bacton User;
- (b) for each relevant month and quarter in respect of which the User holds Relevant Registered NTS Entry Capacity the amount of that capacity which the User proposes is re-allocated as:
 - (i) Registered Interconnection Point Capacity at the Bacton IP ASEP; or
 - (ii) Registered NTS Entry Capacity at the Bacton UKCS ASEP;
- (c) for each Relevant Transfer and for each relevant month or relevant quarter comprising in the Relevant Transfer Period, the amount of the Transferred System Capacity which the User proposes be treated as:
 - (i) Registered Interconnection Point Capacity at the Bacton IP ASEP; or
 - (ii) Registered NTS Entry Point Capacity at the Bacton UKCS ASEP;
- (d) the facsimile number to which National Grid NTS should send the information referred to in paragraph 4.1.

1.5 A re-allocation notification submitted by a Bacton User:

- (a) may propose that all or any part of the User's Relevant Registered NTS Entry Capacity for a relevant month or relevant quarter be re-allocated as Registered Interconnection Point Capacity at the Bacton IP ASEP or (as the case may be) Registered NTS Entry Capacity at the Bacton UKCS ASEP;
- (b) must re-allocate capacity equal to the User's Relevant Registered NTS Entry Capacity at the Bacton ASEP for the relevant month or relevant quarter;
- (c) in respect of a Relevant Transfer:
 - (i) may propose all or any part of the Transferred System Capacity for a relevant month or relevant quarter be treated as Registered Interconnection Point Capacity at the Bacton IP ASEP or Registered NTS Entry Point Capacity at the Bacton UKCS ASEP;
 - (ii) must make a proposal in respect of a Relevant Transfer for a relevant month or relevant quarter for an amount of NTS Entry Capacity equal to the Transferred System Capacity.

1.6 In the event a Bacton User:

- (a) does not submit a re-allocation notification in response to a re-allocation invitation;

- (b) submits a re-allocation notification which does not comply with paragraph 1.5(b) in respect of a relevant month or relevant quarter;
- (c) does not propose in a re-allocation notification a re-allocation for a relevant month or relevant quarter in respect of which the User holds Relevant Registered NTS Entry Capacity;
- (d) in respect of a Relevant Transfer:
 - (i) does not make a proposal for the treatment of the Transferred System Capacity for a relevant month or relevant quarter;
 - (ii) submits a re-allocation notification which does not comply with paragraph 1.5(c)(ii) for a relevant month or relevant quarter;
 - (iii) proposes an amount of Registered Interconnection Point Capacity or Registered NTS Entry Capacity for the purposes of paragraph 1.5(c) which is in excess of the amount proposed to be re-allocated as such under paragraph 1.5(a) for the relevant month or relevant quarter

paragraph 1.7 shall apply.

1.7 Where this paragraph 1.7 applies:

- (a) pursuant to paragraph 1.6(a), (b) or (c), the User shall be deemed for the purposes of this Part VB to have proposed a re-allocation of the User's Relevant Registered NTS Entry Capacity for the relevant month(s) or relevant quarter(s) as between the Bacton IP ASEP and the Bacton UKCS ASEP in the relevant proportions;
- (b) pursuant to paragraph 1.6(d), the User shall be deemed for the purposes of this Part VB to have proposed the Transferred System Capacity be treated as Registered Interconnection Point Capacity and Registered NTS Entry Capacity for the relevant month(s) or relevant quarter(s):
 - (i) where the Bacton User proposed a re-allocation in respect of the Relevant Transfer Period which complies with paragraph 1.5(a) and (b), in the same proportions which the Bacton User proposed to re-allocate the Relevant Registered NTS Entry Capacity as Registered Interconnection Point Capacity at the Bacton IP ASEP and Registered NTS Entry Point Capacity at the Bacton UKCS ASEP;
 - (ii) in the event paragraph (i) does not apply, in the relevant proportions.

1.8 A re-allocation invitation issued under:

- (a) paragraph 2.1 shall be made in respect of all relevant months and relevant quarters;
- (b) paragraph 3.1 shall be made in respect of each relevant month and relevant quarter in relation to which paragraph 2.4 does not apply.

1.9 Where all Bacton Users' Relevant Registered NTS Entry Capacity for all relevant months and relevant quarters is re-allocated in accordance with paragraph 2.4 National Grid NTS shall not be required to issue a further re-allocation invitation in accordance with paragraph 3.

- 1.10 Where a Bacton User's Relevant Registered NTS Entry Capacity at the Bacton ASEP is re-allocated in accordance with this Part VB:
- (a) the Bacton User shall be treated as holding, with effect from 1 November 2015 Registered NTS Interconnection Point Capacity at the Bacton IP ASEP and Registered NTS Entry Point Capacity at the Bacton UKCS ASEP in accordance with paragraph 4.3;
 - (b) the Bacton User's Available NTS Interconnection Point Capacity at the Bacton IP ASEP and Available NTS Entry Capacity at the Bacton UKCS ASEP on a Day in the Relevant Transfer Period is its Registered System Capacity adjusted by deducting the amount of the Transferred System Capacity which the User proposed (or was deemed proposed) as Registered Interconnection Point Capacity and Registered NTS Entry Capacity.
- 1.11 Following the re-allocation of NTS Entry Capacity in accordance with this Part VB at the Bacton IP ASEP and the Bacton UKCS ASEP each Bacton User shall cease to be treated as holding Registered NTS Entry Capacity at the Bacton ASEP in relation to any period after 31 October 2015.

2 Initial Capacity Re-allocation

- 2.1 By no later than ten (10) Business Days following the allocation of Quarterly NTS Entry Capacity pursuant to the annual invitation issued by National Grid NTS in February 2015 National Grid NTS will issue a re-allocation invitation.
- 2.2 A Bacton User may submit a re-allocation notification in response to the re-allocation invitation under paragraph 2.1 by no later than the date specified in the re-allocation invitation.
- 2.3 Subject to paragraph 2.4, following the closing of the re-allocation invitation under paragraph 2.1 National Grid NTS shall calculate, by reference to re-allocation notifications submitted under paragraph 2.2 (or deemed submitted under paragraph 1.6) for each relevant month and relevant quarter, the aggregate amount of Relevant Registered NTS Entry Capacity which Bacton Users propose be re-allocated as:
- (a) Registered Interconnection Point Capacity at the Bacton IP ASEP; and
 - (b) Registered NTS Entry Capacity at the Bacton UKCS ASEP.
- 2.4 Where the amount of Relevant Registered NTS Entry Capacity which Bacton Users propose be re-allocated in aggregate in relation to a relevant month or relevant quarter as:
- (a) Registered Interconnection Point Capacity at the Bacton IP ASEP is less than or equal to the Obligated Entry Capacity for the Bacton IP ASEP for each Day in the relevant month or relevant quarter; and ⁶
 - (b) Registered NTS Entry Capacity at the Bacton UKCS ASEP is less than or equal to the Obligated Entry Capacity for the Bacton UKCS ASEP for each Day in the relevant month or relevant quarter

⁶ Note Obligated Entry Capacity is defined "...in relation to a Day in a calendar month in a Formula Year...", see TPD B2.1.5(a).

NTS Entry Capacity shall be re-allocated to each Bacton User as Registered Interconnection Point Capacity at the Bacton IP ASEP and as Registered NTS Entry Capacity at the Bacton UKCS ASEP in the amounts proposed by each Bacton User in the re-allocation notifications submitted under paragraph 2.2 (or deemed submitted under paragraph 1.6).

- 2.5 Where paragraph 2.4 does not apply in relation to a relevant month or relevant quarter by reason of Bacton Users proposing to re-allocate in aggregate Relevant Registered NTS Entry Capacity at a new ASEP in an amount which exceeds the Obligated Entry Capacity at the new ASEP no re-allocation will be made under this paragraph 2 and National Grid NTS will issue a further re-allocation invitation in respect of such relevant month or relevant quarter in accordance with paragraph 3.

3 Final Capacity Re-allocation

- 3.1 [By no later than the date notified by National Grid NTS in accordance with paragraph 4.2(d) National Grid NTS will issue a further re-allocation invitation].⁷
- 3.2 A Bacton User may submit a re-allocation notification in response to the re-allocation invitation under paragraph 3.1 by no later than the date specified in the re-allocation invitation.
- 3.3 Subject to paragraph 3.4, following the closing of the re-allocation invitation under paragraph 3.1 National Grid NTS shall calculate, by reference to re-allocation notifications submitted under paragraph 3.2 (or deemed submitted under paragraph 1.6) for each relevant month and relevant quarter, the aggregate amount of Relevant Registered NTS Entry Capacity which Bacton Users propose be re-allocated as:
- (a) Registered Interconnection Point Capacity at the Bacton IP ASEP; and
 - (b) Registered NTS Entry Capacity at the Bacton UKCS ASEP.
- 3.4 In respect of any relevant month or relevant quarter where the amount of Registered NTS Entry Capacity which Bacton Users propose be re-allocated in aggregate as:
- (a) Registered Interconnection Point Capacity at the Bacton IP ASEP is less than or equal to the Obligated Entry Capacity for the Bacton IP ASEP for each Day in the month or quarter; and
 - (b) Registered NTS Entry Capacity at the Bacton UKCS ASEP is less than or equal to the Obligated Entry Capacity for the Bacton UKCS ASEP for each Day in the month or quarter

NTS Entry Capacity shall be re-allocated to each Bacton User Registered Interconnection Point Capacity at the Bacton IP ASEP and Registered NTS Entry Capacity at the Bacton UKCS ASEP in the amounts proposed by each Bacton User in the re-allocation notifications submitted under paragraph 2.2 (or deemed submitted under paragraph 1.6).

- 3.5 Paragraph 3.6 shall apply in respect of any relevant month or relevant quarter where paragraph 3.4 does not apply by reason of Bacton Users proposing to re-allocate in aggregate Relevant Registered NTS Entry Capacity at a new ASEP in an amount which

⁷ NGG considering exact time of issue of second invitation.

exceeds the Obligated Entry Capacity at the new ASEP ("**over-subscribed ASEP**") for a relevant month or relevant quarter (such excess the "**over-subscribed amount**").

3.6 Where this paragraph applies in respect of a relevant month or relevant quarter:

- (a) where the over-subscribed ASEP is the Bacton IP ASEP:
 - (i) a Bacton User who proposes to re-allocate Registered NTS Entry Capacity at the Bacton IP ASEP as Registered Interconnection Point Capacity will be allocated Registered Interconnection Point Capacity pro rata the amounts proposed by all such Bacton Users, and Registered Interconnection Point Capacity will be allocated to Bacton Users in aggregate in an amount equal to the Obligated Entry Capacity at the Bacton IP ASEP for the relevant month or relevant quarter;
 - (ii) a Bacton User who is allocated Registered Interconnection Point Capacity under paragraph (i) will be allocated Registered NTS Entry Capacity at the Bacton UKCS ASEP in an amount equal to the remainder of the User's Relevant Registered NTS Entry Capacity for the relevant month or relevant quarter;
 - (iii) a Bacton User who did not propose to be re-allocated Registered Interconnection Point Capacity will be allocated Registered NTS Entry Capacity at the Bacton UKCS ASEP in an amount equal to the User's Relevant Registered NTS Entry Capacity for the relevant month or relevant quarter.
- (b) where the relevant ASEP is the Bacton UKCS ASEP:
 - (i) a Bacton User who proposes to re-allocate Registered NTS Entry Capacity at the Bacton UKCS ASEP as Registered NTS Entry Capacity will be allocated Registered NTS Entry Capacity pro rata the amounts proposed by all such Bacton Users, and Registered NTS Entry Capacity will be allocated to Bacton Users in aggregate in an amount equal to the Obligated Entry Capacity at the Bacton UKCS ASEP for the relevant month or relevant quarter;
 - (ii) a Bacton User who is allocated Registered NTS Entry Capacity under paragraph (i) will be allocated Registered Interconnection Point Capacity at the Bacton IP ASEP in an amount equal to the remainder of the User's Relevant Registered NTS Entry Capacity for the relevant month or relevant quarter;
 - (iii) a Bacton User who did not propose to be re-allocated Registered NTS Entry Capacity will be allocated Registered Interconnection Point Capacity at the Bacton IP ASEP in an amount equal to the User's Relevant Registered NTS Entry Capacity for the relevant month or relevant quarter.

4 Re-allocation and Notification

4.1 Following the re-allocation of all Bacton Users Relevant Registered NTS Entry Capacity in accordance with paragraph 2 or (as the case may be) paragraph 3 a Bacton User will be treated as holding with effect from 1 November 2015:

- (a) for each relevant month in relation to the User's Relevant Registered NTS Entry Capacity is re-allocated:
 - (i) Registered Monthly Interconnection Point Capacity at the Bacton IP ASEP in the amount re-allocated by National Grid NTS to the Bacton User for the relevant month; and
 - (ii) Registered Monthly NTS Entry Capacity at the Bacton UKCS ASEP in the amount re-allocated by National Grid NTS to the Bacton User for the relevant month

in each case in accordance with paragraph 2.4, 3.4 or 3.6;

- (b) for each relevant quarter in relation to which the User's Relevant Registered NTS Entry Capacity is re-allocated:
 - (i) Registered Quarterly Interconnection Point Capacity at the Bacton IP ASEP in the amount re-allocated by National Grid NTS to the Bacton User for the relevant quarter; and
 - (ii) Registered Quarterly NTS Entry Capacity at the Bacton UKCS ASEP in the amount re-allocated by National Grid NTS to the Bacton User for the relevant quarter

in each case in accordance with paragraph 2.4, 3.4 or 3.6.

4.2 National Grid NTS will by no later than five (5) days following the closing of a re-allocation invitation notify:⁸

- (a) each Bacton User of each relevant month and relevant quarter in respect of which the Bacton User's Relevant Registered NTS Entry Capacity is re-allocated in accordance with paragraph 2.4 3.4 or 3.6;
- (b) each Bacton User for each relevant quarter and relevant month specified under paragraph (a):
 - (i) the amount of NTS Entry Capacity re-allocated to the User as Interconnection Point Capacity at the Bacton IP ASEP for the relevant month or relevant quarter;
 - (ii) the amount of NTS Entry Capacity re-allocated to the User as Registered NTS Entry Capacity at the Bacton UKCS ASEP for the relevant month or relevant quarter;
- (c) all Bacton Users for each relevant quarter and relevant month in respect of which Relevant Registered NTS Entry Capacity is re-allocated:
 - (i) the aggregate amount of NTS Entry Capacity re-allocated to Bacton Users as Interconnection Point Capacity at the Bacton IP ASEP; and

⁸ NGG to consider timing.

- (ii) the aggregate amount of NTS Entry Capacity re-allocated to Bacton Users as Registered NTS Entry Capacity at the Bacton UKCS ASEP; and
 - (d) in relation to an invitation under paragraph 2.1, all Bacton Users of each relevant month and relevant quarter (if any) in respect of which a further re-allocation is to be undertaken in accordance with paragraph 3 and the date [by no later than which National Grid NTS will issue an invitation in accordance with paragraph 3].⁹
- 4.3 For the purposes of determining the NTS Entry Capacity Charges payable in respect of NTS Entry Capacity held by a Bacton User at the Bacton IP ASEP or the Bacton UKCS ASEP for a relevant month or relevant quarter the Applicable Daily Rate shall be the weighted average of the Applicable Daily Rates payable by the Bacton User for Relevant Registered NTS Entry Capacity at the Bacton ASEP for the relevant month or relevant quarter.

5 Dis-application of TPD Section B during Re-allocation process

5.1 In respect of the Bacton ASEP:

- (a) a Bacton User shall not be permitted to make a System Capacity Transfer in respect of Registered NTS Entry Capacity for any Day after 31 October 2015;¹⁰
- (b) National Grid NTS shall not be required to:
 - (i) issue any Tender Invitation Notice under TPD Section B2.8 for any period after 31 October 2015;¹¹
 - (ii) hold an auction for Monthly NTS Entry Capacity under TPD Section B2.3 for any month after October 2015; and
 - (iii) hold an auction for Daily NTS Entry Capacity or Daily Interruptible NTS Entry Capacity under TPD Section B2.4 or 2.5 for an Day after 31 October 2015.

5.2 In respect of the Bacton UKCS ASEP:

- (a) a Bacton User shall not be permitted to make a System Capacity Transfer in respect of Registered NTS Entry Capacity prior to the end of the re-allocation period;
- (b) National Grid NTS shall not be required to issue any Tender Invitation Notice under TPD Section B2.8 for any period after 31 October 2015 prior to the end of the re-allocation period.¹²

⁹ NGG to consider timing.

¹⁰ The normal rules will apply to the making of transfers for the period up to and including 31 October 2015 and there will be no restriction during the re-allocation period.

¹¹ The normal rules will apply prior to this date, so NGG can tender for constraint purposes at the Bacton ASEP for the period up to 31 October 2015.

¹² The Bacton UKCS ASEP will not exist prior to 1 November 2015 so the normal rules regarding transfers and tenders cannot apply beforehand so there is no need to dis-apply rules which cannot apply in any event. Similarly the normal rules re the auction of Monthly, Daily and Daily Interruptible NTS Entry Capacity cannot apply at the

Continued.../

5.3 [In respect of the Bacton IP ASEP: ¹³

- (a) a Bacton User shall not be permitted to make a System Capacity Transfer in respect of Registered Interconnection Point Capacity prior to the end of the re-allocation period;
- (b) National Grid NTS shall not be required to issue any Tender Invitation Notice under TPD Section B2.8 for any period after 31 October 2015 prior to the end of the re-allocation period.] ¹⁴

5.4 During the re-allocation period any other provision of the Code which would in any particular case conflict with the implementation of this Part VB shall to that extent not apply.

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Bacton UKCS ASEP before this date, so there is no need to say so. This is why implementation on a 'gas flow day' basis is helpful, as it allows rules to apply and be binding for day D prior to day D.

¹³ The first day on which a System Capacity Transfer at the Bacton IP ASEP can be made will be 1 November 2015 when TPD B5 and EID B9 will apply. Note there is no rule about how far in advance of the Transfer Period a System Capacity Transfer may be notified.