

BUSINESS RULES

Modification 0363

Commercial Arrangements for NTS Commingling Facilities

DOCUMENT REVISION HISTORY

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Introduction

1. National Grid NTS intends to facilitate the connection of a non-GS(M)R compliant coal bed methane project to the NTS by constructing two connections in close proximity to one another – one to facilitate NTS gas offtake and the other to facilitate NTS entry. It is proposed that gas would be offtaken from the NTS through the exit connection in order to commingle with the coal bed methane gas on the coal bed methane operator's system.
2. Where such commingling produces a blended gas that is GS(M)R compliant at the point of delivery to the NTS, National Grid NTS would admit that gas into the system. Where GS(M)R compliance is not achieved, National Grid NTS would refuse NTS entry. National Grid NTS will not be obliged to ensure that the gas made available for offtake is of a suitable quality to enable commingling with any other gas to produce a mixture which is GS(M)R compliant.
3. Under such an arrangement, gas would leave the NTS temporarily and be redelivered a short time later, hence the facility would offtake and deliver gas simultaneously. National Grid NTS believes that this will offer a new and distinct type of connection on the system and that it warrants different transportation charging arrangements than those which apply to other NTS exit and NTS entry connections.
4. Given that virtually all the NTS gas offtaken would be redelivered on the same Day, in order to avoid 'double charging', National Grid NTS believes that it would be appropriate to levy transportation charges on:
 - a. the additional amount of gas entered by the coal bed methane facility by subtracting the daily exit flow from the daily entry flow (the 'net entry' flow); or
 - b. on the 'net exit' flow if, for whatever reason, the daily exit flow exceeded the daily entry flow.
5. Modification 0363 "Commercial Arrangements for NTS Commingling Facilities" has been raised to facilitate the application of transportation charges on a 'net' basis at this type of facility and to establish how this type of facility will operate within existing UNC arrangements which govern the offtake and delivery of gas from and to the NTS.
6. This document provides business rules which detail the proposed arrangements under Modification 0363.
7. Unless otherwise defined, capitalised terms used in these business rules shall have the meaning given to them in the UNC.
8. Where the UNC defined term 'CSEP Daily Quantity Offtaken' appears in these business rules, this is a reference to the total quantity of gas offtaken from the NTS on a Day at an NTS Commingling Facility.

9. Where the UNC defined term 'Entry Point Daily Quantity Delivered' appears in these business rules, this is a reference to the total quantity of gas input into the NTS from an NTS Commingling Facility on a Day, (i.e. the quantity of gas offtaken and then redelivered to the NTS on a Day plus the quantity of new production gas delivered to the NTS on that same Day).
10. These business rules include the term 'CSEP Ancillary Agreement' and provide for agency arrangements in respect of gas offtaken, however it is recognised that an Ancillary Agreement and agency arrangements are also required in respect of gas entry arrangements and these will be developed.
11. References in these business rules are to provisions of the UNC Transportation Principal Document.

Site Classification and Definition

12. It is proposed to introduce a new type of connection facility into the UNC - an "**NTS Commingling Facility**", defined as a gas delivery facility (and not a Storage Facility or pipeline interconnector by which gas is transported to another country):
 - a. which is directly connected to the NTS at an NTS Individual System Exit Point and an NTS Individual System Entry Point that are in close geographical proximity to each other and are comprised within a common curtilage;
 - b. whose sole purpose is to deliver new production gas into the NTS whose composition does not comply with the relevant Gas Entry Conditions and is brought into such compliance by commingling with gas offtaken from the NTS;
 - c. which does not consume the gas offtaken from the NTS or use it other than for the purposes of commingling as contemplated under (b) above; and
 - d. whose operation consists of the simultaneous offtake of gas from the NTS and redelivery of such gas, together with new production gas delivered from such facility, to the NTS.
13. Pursuant to A3.3 and J1.4.1, the Individual System Exit Point at which gas is offtaken from the NTS to an NTS Commingling Facility shall be an NTS Connected System Exit Point.
14. Pursuant to A2.2, A2.3, I1.4 and I1.5, the Individual System Entry Point at which gas is delivered from an NTS Commingling Facility to the NTS shall be an NTS System Entry Point.

15. An NTS Commingling Facility is a Connected Offtake System (in relation to which the operator of such facility is the Connected System Operator) in relation to the NTS Connected System Exit Point, and a Connected Delivery Facility (in relation to which the operator of such facility is the Delivery Facility Operator) in relation to the System Entry Point, at which it is connected to the NTS. Accordingly, the definitions of “Connected Offtake System” (J1.4.4) and “Connected Delivery Facility” (I1.2.2) shall be amended to include any facility which offtakes gas from the NTS for the sole purpose of commingling in order to enter gas of a composition that complies with the relevant Gas Entry Conditions.
16. The Entry Point Daily Quantity Delivered and the CSEP Daily Quantity Offtaken in respect of a NTS Commingling Facility will be established by means of measurement equipment installed (and operated, maintained, tested and calibrated) by the operator of the NTS Commingling Facility in accordance with procedures established by the operator for such purposes (details of which Users may obtain from the operator).

Operator Agreement

17. In accordance with UNC sections J1.5.2, J1.5.4(a) and I1.3.1, prior to any gas flow at an NTS Commingling Facility, National Grid NTS and the operator of the NTS Commingling Facility shall be required to have entered into a Network Exit Agreement and a Network Entry Agreement in respect of such facility.
18. The Network Exit Provisions for an NTS Commingling Facility shall include provisions which detail the time by which the operator of such facility is required to submit an Offtake Profile Notice to National Grid NTS on the Preceding Day which details the ‘gross’ exit flow expectation.
19. The Network Exit Provisions for the NTS Commingling Facility shall include provisions which will specify the number of Days of permitted Planned Maintenance in any Planned Maintenance Period and any three consecutive Planned Maintenance Periods in relation to the Connected System Exit Point.
20. The Network Entry Provisions shall include a requirement for the operator of an NTS Commingling Facility to submit a daily flow notification on the Preceding Day which details the ‘gross’ entry flow expectation.

Agency Arrangements – General

21. Pursuant to J6, a CSEP Ancillary Agreement in respect of an NTS Commingling Facility shall include provisions which ensure that if there is more than one CSEP User at the NTS CSEP, those Users shall be bound by common allocation agency arrangements for the purpose of submitting Exit Allocation Statements¹ on their behalf in respect of the NTS Commingling Facility.

Agency Arrangements – Multiple Users as original parties to the CSEP Ancillary Agreement

22. Where more than one User wishes to become a party to a CSEP Ancillary Agreement in respect of an NTS Commingling Facility, those Users will be required to appoint an allocation agent and agree the terms of the agency agreement with such agent. The agency agreement should then be sent to National Grid NTS who will send it to Ofgem for approval. When approved by Ofgem it will then become the “Designated Agency Agreement” in respect of the NTS Commingling Facility.
23. Each User shall enter into the Designated Agency Agreement (and comply with any requisite provisions in such agreement) before they become parties to the CSEP Ancillary Agreement. On becoming a party to the CSEP Ancillary Agreement the User will then become a CSEP User.
24. A CSEP User will cease to be a CSEP User and party to the CSEP Ancillary Agreement if it ceases to be a party to the Designated Agency Agreement.

Agency Arrangements – Single User as original party to the CSEP Ancillary Agreement

25. Subject to the arrangements detailed below, where only one User enters into a CSEP Ancillary Agreement in respect of an NTS Commingling Facility, that User (“the Sole Party”) may, but shall not be required to appoint an allocation agent and enter into the Designated Agency Agreement.
26. Where the Sole Party is the only Party to the CSEP Ancillary Agreement on the date another User (or Users) wishes to enter into the CSEP Ancillary Agreement then National Grid NTS will so notify the Sole Party and within [twenty (20) Business Days] following the date of receipt of such notification, the Sole Party will provide to National Grid NTS:

¹ Similar arrangements will be required in respect of Entry Allocation Statements

- (a) a copy of the Designated Agency Agreement which has been entered into by the Sole Party and the allocation agent; and
- (b) written evidence from the allocation agent that all requirements to give effect to the Designated Agency Agreement have been met by the Sole Party.

27. If the Sole Party does not comply with paragraph 26 above, it will cease to be a CSEP User and a party to the CSEP Ancillary Agreement².

Agency Arrangements – Accession to the CSEP Ancillary Agreement

28. Where a User wishes to become a CSEP User and a party to an existing CSEP Ancillary Agreement in respect of an NTS Commingling Facility, such User will be required to accede to it. Before it may do so it must enter into the Designated Agency Agreement with the agent and comply with any requirements stipulated in such Designated Agency Agreement.

Allocation Arrangements

29. Allocations of gas at an NTS Commingling Facility shall be based on Users' end of day 'net' position, i.e. Users will be allocated gas based on the difference between the CSEP Daily Quantity Offtaken and Entry Point Daily Quantity Delivered.

30. UNC requirements for the aggregate of Users' allocations at a System Entry Point to be equal to the Entry Point Daily Quantity Delivered (E2.1.7(b)) and the aggregate of Users' allocations at a Connected System Exit Point to be equal to the CSEP Daily Quantity Offtaken (E3.2.6(b)) shall not apply in respect of NTS Commingling Facilities.

31. Instead, where, on a Day at an NTS Commingling Facility, the Entry Point Daily Quantity Delivered exceeds the CSEP Daily Quantity Offtaken, the aggregate quantity of gas stated in all Entry Allocation Statements in respect of the System Entry Point shall be equal to the Entry Point Daily Quantity Delivered minus the CSEP Daily Quantity Offtaken and the aggregate quantity of gas stated in all Exit Allocation Statements in respect of the NTS Connected System Exit Point shall be zero. Each User that receives such allocations shall be treated as a Delivering User on that Day for the purposes of section I and shall not

² This allows the Sole Party to enter into the CSEP Ancillary Agreement where no other Users are ready to do so at that time but it prevents the Sole Party from blocking other Users from entering into the CSEP Ancillary Agreement by not signing the Designated Agency Agreement.

be treated as an Offtaking User on that Day for the purposes of section J.

32. If, for a Day on which the Entry Point Daily Quantity Delivered exceeds the CSEP Daily Quantity Offtaken the allocation condition specified in the above paragraph 31 is not satisfied, the UDQI for each User shall be determined in accordance with E2.1.8 and E2.1.9, save that the quantity of gas to be allocated shall not be equal to the Entry Point Daily Quantity Delivered but shall instead be equal to the Entry Point Daily Quantity Delivered minus the CSEP Daily Quantity Offtaken. In the event that E2.1.8 and E2.1.9 cannot facilitate an allocation of gas because no User has submitted an Input Nomination for the Day and on the Preceding Day each User received a UDQO by virtue of the CSEP Daily Quantity Offtaken having exceeded the Entry Point Daily Quantity Delivered, the UDQI for each User shall be determined in the proportions in which such UDQOs were determined on the Preceding Day.
33. Where on a Day at NTS Commingling Facility, the CSEP Daily Quantity Offtaken exceeds the Entry Point Daily Quantity Delivered, the aggregate quantity of gas stated in all Entry Allocation Statements in respect of the System Entry Point for that Day shall be zero and the aggregate quantity of gas stated in all Exit Allocation Statements in respect of that Day shall be equal to the CSEP Daily Quantity Offtaken minus the Entry Point Daily Quantity Delivered. Each User that receives such allocations shall be treated as an Offtaking User on that Day for the purposes of section J of UNC and shall not be treated as a Delivering User for the purposes of section I of UNC.
34. If for a Day on which the CSEP Daily Quantity Offtaken exceeds the Entry Point Daily Quantity Delivered the allocation condition specified under the above paragraph 33 is not satisfied, the UDQO for each User shall be determined in accordance with E3.2.7 and E3.2.8 save that the quantity of gas to be allocated shall not be equal to the CSEP Daily Quantity Offtaken but shall instead be equal to the CSEP Daily Quantity Offtaken minus the Entry Point Daily Quantity Delivered. In the event that E3.2.7 and E3.2.8 cannot facilitate an allocation of gas because no User has submitted an Output Nomination for the Day and on the Preceding Day each User received a UDQI by virtue of the Entry Point Daily Quantity Delivered having exceeded the CSEP Daily Quantity Offtaken, the UDQO for each User shall be determined in the proportions in which such UDQIs were determined on the Preceding Day.
35. Section I3.1.2 defines each User's Delivery Proportion for a Day in respect of a System Entry Point as that User's UDQI for that Day divided by the Entry Point Daily Quantity Delivered. In relation to an NTS Commingling Facility, this definition shall be amended such that each User's Delivery Proportion shall be equal to that User's UDQI for

the Day divided by the sum of all Users' UDQIs in relation to the System Entry Point for that Day.

36. Section J3.1.2 defines the Offtake Proportion of an Offtaking User for a Day in respect of a Connected System Exit Point as being equal to that User's UDQO for that Day divided by the CSEP Daily Quantity Offtaken. In relation to an NTS Commingling Facility, this definition shall be amended such that each User's Offtake Proportion shall be equal to that User's UDQO for that Day divided by the sum of all Users' UDQOs in relation to the NTS Connected System Exit Point for that Day.

Gas Flow Nominations

37. A User at a NTS Commingling Facility shall be required to submit only one gas flow nomination which details its 'net' entry / exit flow expectation.
38. Where on a Day, the Entry Point Daily Quantity Delivered exceeds the CSEP Daily Quantity Offtaken and a User accordingly receives a UDQI allocation equal to its 'net entry' end of day flow at an NTS Commingling Facility, in order to avoid any scheduling charge, that User shall (subject to the application of input scheduling tolerances detailed in F3.2) be required to have submitted for that Day an Input Nomination in respect of the NTS Commingling Facility equal to such UDQI and an Output Nomination equal to zero.
39. Where on a Day, the CSEP Daily Quantity Offtaken exceeds the Entry Point Daily Quantity Delivered and a User accordingly receives a UDQO allocation greater than zero (a 'net exit' end of day flow) at an NTS Commingling Facility, in order to avoid any scheduling charge that User shall (subject to the application of the relevant output scheduling tolerance detailed in F3.3.2(d)) be required to have submitted for that Day an Output Nomination in respect of the NTS Commingling Facility equal to such UDQO and an Input Nomination equal to zero.

Entry Capacity Requirements

40. The Individual System Entry Point at which an NTS Commingling Facility is connected to the NTS shall be a System Entry Point which may of itself constitute an Aggregate System Entry Point or be comprised with another System Entry Point(s) to form one Aggregate System Entry Point.
41. Prevailing NTS Entry Capacity booking rules shall apply in respect of the Aggregate System Entry Point in respect of NTS Commingling Facilities.

42. Prevailing rules associated with System Entry Overrun Charges shall apply in respect of NTS Commingling Facilities.
43. Irrespective of whether a User has booked NTS Entry Capacity in respect of an Aggregate System Entry Point associated with a NTS Commingling Facility, a User shall not be entitled to deliver gas if any of the required agreements (Network Entry Agreement, Network Exit Agreement, Ancillary Agreement and (where there is more than one User) designated agency agreement) have not been entered into by the relevant parties. In such circumstances, National Grid NTS shall not be obliged to accept gas into the NTS at that System Entry Point and shall have no liability to the User for its refusal to do so.

Exit Capacity Requirements

44. The Individual System Exit Point at which a NTS Commingling Facility is connected to the NTS shall be an NTS Connected System Exit Point.
45. Enduring (B3) NTS Exit Capacity booking rules shall apply in respect of the NTS Connected System Exit Point associated with a NTS Commingling Facility.
46. Enduring (B3) rules associated with NTS Exit Capacity overrun charges shall apply in respect of NTS Commingling Facilities.
47. Irrespective of whether a User has booked NTS Exit Capacity in respect of an NTS Connected System Exit Point associated with a NTS Commingling Facility, a User shall not offtake gas from the NTS at the NTS Connected System Exit Point until all required agreements have been entered into by the relevant parties with National Grid NTS. In such circumstances, National Grid NTS shall not be obliged to make gas available for offtake and shall have no liability to the User for failure to make gas available for offtake.

Daily Quantities and User Imbalances

48. The UDQI (or as the case may be, UDQO) determined for each User at an NTS Commingling Facility on the basis set out in the 'Allocation Arrangements' section of these Business Rules will contribute to each User's daily imbalance position as provided in TPD E5.1.

System Clearing Arrangements

49. For the purposes of calculating a User's Daily Imbalance Charge, Scheduling Charges, Balancing Neutrality Charges and Reconciliation Neutrality Charges for each Day in respect of an NTS Commingling

Facility, a User's UDQI or as the case may be, UDQO shall be used, as calculated in accordance with these business rules.

Constraint Management

50. Prevailing rules in relation to Capacity Management and enduring (B3) rules in relation to Exit Constraint Management Actions will apply to the System Entry Point and NTS CSEP associated with an NTS Commingling Facility.

Transportation Charges

51. No changes to Transportation Charges are proposed by the UNC changes being developed for NTS Commingling Facilities.
52. On a Day where the Entry Point Daily Quantity Delivered exceeds the CSEP Daily Quantity Offtaken, each User at an NTS Commingling Facility will pay NTS Entry Commodity charges in respect of the System Entry Point based upon its UDQI for that Day. On such a Day, Users' UDQOs will be equal to zero therefore NTS Exit Commodity charges will not apply.
53. On a Day where the CSEP Daily Quantity Offtaken exceeds the Entry Point Daily Quantity Delivered, each User at such NTS Commingling Facility will pay NTS Exit Commodity charges in respect of the Connected System Exit Point based upon its UDQO for that Day. On such a Day, Users' UDQIs will be equal to zero therefore NTS Entry Commodity charges will not apply.
54. Charges pursuant to any bookings of NTS Entry Capacity or NTS Exit Capacity made by Users at an NTS Commingling Facility shall be levied irrespective of whether such Users are allocated UDQIs or UDQOs on any particular Day.
55. Where a User intends to be a Delivering User at the System Entry Point associated with an NTS Commingling Facility and an Offtaking User at an NTS Supply Point or NTS CSEP (other than the NTS CSEP that is associated with the relevant NTS Commingling Facility), that User may opt for the NTS Optional Commodity Rate. The quantity of gas eligible to attract the NTS Optional Commodity Rate on a Day shall be the lesser of the User's UDQI in relation to the NTS Commingling Facility and the User's UDQO in relation to the relevant NTS Supply Point or NTS Connected System Exit Point.

Licence Changes

56. The NTS Connected System Exit Point and the Aggregate System Entry Point of an NTS Commingling Facility must be listed in the NTS Licence before NTS Entry Capacity or NTS Exit Capacity can be made available.

Appendix – Worked Examples

Net Entry Flow

End of day gas offtake (CSEP Daily Quantity Offtaken) : 15 GWh
End of day gas entry (Entry Point Daily Quantity Delivered): 20 GWh

Sum of Users UDQIs at the System Entry Point = 5 GWh
Sum of Users UDQOs at the Connected System Exit Point = 0 GWh
Aggregate Users Input Nominations required: 5 GWh
Aggregate Users Output Nominations required: 0 GWh
Aggregate Users NTS Entry Capacity required: 5 GWh
Aggregate Users NTS Exit Capacity required: 0 GWh
NTS Entry Commodity charges levied on 5 GWh
NTS Exit Commodity charges levied on 0 GWh

Net Exit Flow

End of day gas offtake (CSEP Daily Quantity Offtaken) : 20 GWh
End of day gas entry (Entry Point Daily Quantity Delivered): 15 GWh

Sum of Users UDQIs at the System Entry Point = 0 GWh
Sum of Users UDQOs at the Connected System Exit Point = 5 GWh
Aggregate Users Input Nominations required: 0 GWh
Aggregate Users Output Nominations required: 5 GWh
Aggregate Users NTS Entry Capacity required: 0 GWh
Aggregate Users NTS Exit Capacity required: 5 GWh
NTS Entry Commodity charges levied on 0 GWh
NTS Exit Commodity charges levied on 5 GWh