

CMP: Long-term Use-it-or-lose-it Guidance note

This guidance note explains how National Grid NTS calculates a network user's utilisation of their contracted capacity as required by EU regulation adopted by the European Commission on 24 August 2012 on Congestion Management Procedures which amended the existing Annex I to the Gas Regulation (EC) no. 715/2009 (see Annex 1). This note is published to give transparency to methodology used.

LTUIOLI requires the monitoring of a shippers utilisation of capacity with "an effective contract duration of more than one year". If a shipper has used less than 80% of its contracted capacity over two consecutive 6 month periods and the shipper has not sold or offered under reasonable conditions its unused capacity where other users request firm capacity then the regulation means that the user can subsequently lose some or all its capacity for a given period.

1. Monitoring of Utilisation

Only users with contracted capacity with effective contract duration of more than one year or recurring quarters covering at least two years at an interconnection point shall be monitored for the purposes of the long-term use-it-or-lose-it requirements.

National Grid NTS shall issue an Underutilisation Notification to any network user who uses less than on average 80 % of its contracted capacity both from 1 April until 30 September or from 1 October until 31 March.

1.1. Shippers to be monitored

To be subject to monitoring a shipper must hold:

- 8 consecutive quarters of QSEC Entry Capacity at Bacton
- 2 years of Annual NTS Exit (Flat) Capacity and/or any Enduring Annual NTS Exit (Flat) Capacity at Bacton IUK, Bacton BBL or Moffat.

1.2 Data required

National Grid shall submit a confidential report to Ofgem after each 6 month monitoring period. The data for inclusion in this utilisation monitoring report to be issued to Ofgem shall be¹:

- QSEC holdings by Shipper at Bacton (to identify shippers to be monitored)
- Exit holdings by shipper at Moffat & Bacton (to identify shippers to be monitored)
- Entitlements by shippers subject to monitoring over monitoring period
- Allocations by shippers subject to monitoring over monitoring period
- Aggregate Booked & Unsold capacity at Bacton and Moffat over monitoring period and next relevant AMSEC and Annual NTS Exit (Flat) Capacity auction period
- Any surrender offers made by shipper at Bacton or Moffat over each monitoring period.

1.3 Calculation of Utilisation

A networks user's daily use of contracted capacity at an interconnection point shall be determined by calculating each day the user's allocation as a percentage of the minimum end of day entitlement held by the user over the previous 365 days inclusive.

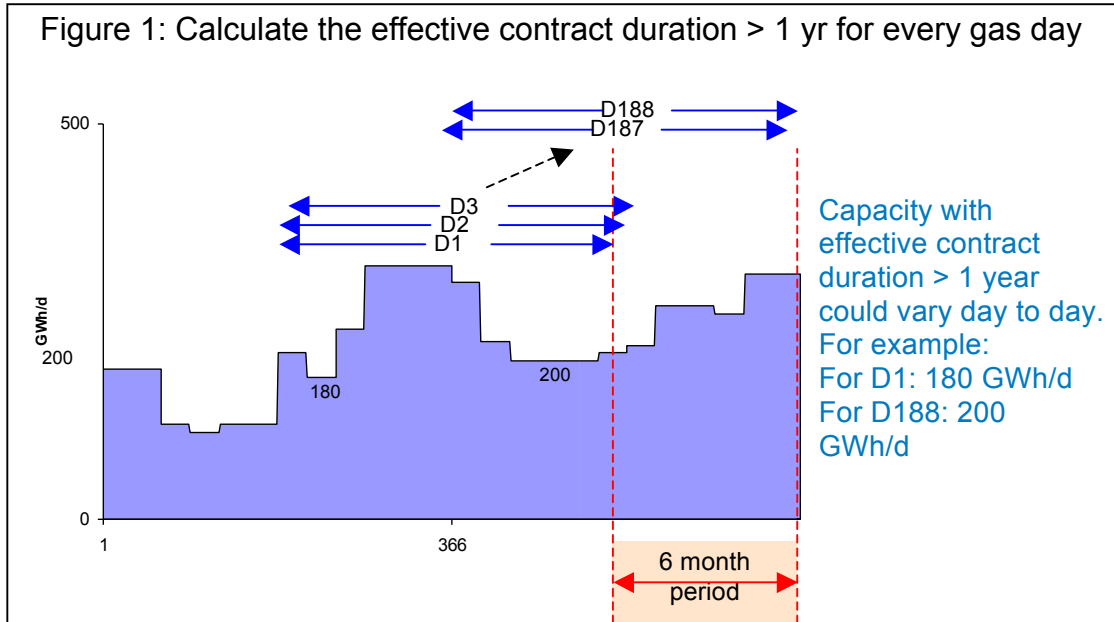
For the purposes of the calculation of daily use of contracted capacity at an interconnection point, any value greater than 100% shall be deemed to be 100% and where the user had no

¹ Subject to Ofgem approval

end of day entitlement but was still allocated then daily use of contracted capacity at an interconnection shall be deemed to be 100%.

The user's utilisation for the purposes of monitoring for the long-term use-it-or-lose-it requirements and the issuing of any Underutilisation Notification shall be taken as the average daily use over the period 1 April until 30 September or 1 October until 31 March.

EXAMPLE:



Utilisation Example
 The utilisation of capacity of a shipper at an interconnection point over the six month monitoring period is calculated by taking the average of the ratios of its daily allocated quantity and the effective daily contracted capacity (this is derived as described in section 1.4 and illustrated in Figure 1).

Day	D1	D2	D3	D187	D188	Average
Daily Allocation (GWh/d)	106	90	93		140	214	
Daily Entitlement (GWh/d)	220	220	220		310	310	
Effective Daily Contracted capacity with contract duration > 1yr	180	180	180		200	200	
Utilisation (%)	58.9	50.0	51.7		70.0	100.0	67.5

Capped at 100%

In this example the shipper has an average utilisation of **67.5%** of its deemed contracted capacity with an effective duration of more than one year.

Annex 1: CMP LTUIOLI Text

EC 715/2009 Annex 1. 2.2.5. Long-term use-it-or-lose-it mechanism

1. National regulatory authorities shall require transmission system operators to partially or fully withdraw systematically underutilised contracted capacity on an interconnection point by a network user where that user has not sold or offered under reasonable conditions its unused capacity and where other network users request firm capacity. Contracted capacity is considered to be systematically underutilised in particular if:

a) the network user uses less than on average 80 % of its contracted capacity both from 1 April until 30 September and from 1 October until 31 March with an effective contract duration of more than one year for which no proper justification could be provided; or

(b) the network user systematically nominates close to 100 % of its contracted capacity and renominates downwards with a view to circumventing the rules laid down in point 2.2.3(3).

2. The application of a firm day-ahead use-it-or-lose-it mechanism shall not be regarded as justification to prevent the application of paragraph 1.

3. Withdrawal shall result in the network user losing its contracted capacity partially or completely for a given period or for the remaining effective contractual term. The network user shall retain its rights and obligations under the capacity contract until the capacity is reallocated by the transmission system operator and to the extent the capacity is not reallocated by the transmission system operator.

4. Transmission system operators shall regularly provide national regulatory authorities with all the data necessary to monitor the extent to which contracted capacities with effective contract duration of more than one year or recurring quarters covering at least two years are used.'