

Stage 01: Modification

0XXX: *(Code Administrator to insert number)*

Development of the capacity and connection processes

This modification develops the long term Entry and Exit capacity release mechanisms to provide greater alignment of customer and National Grid NTS timescales and clarity of Incremental Capacity release timescales and quantities.



The Proposer recommends that this modification should proceed to a workgroup for development



High Impact:
Shippers, Developers and Transporters



Medium Impact:
Insert name(s) of impact



Low Impact:
Insert name(s) of impact

At what stage is this document in the process?

01

Modification

02

Workgroup Report

03

Draft Modification Report

04

Final Modification Report

0xxx

Modification

Day Month Year

Version 1.0

Page 1 of 22

© 2012 all rights reserved

Contents

- 1 Summary
- 2 Why Change?
- 3 Solution
- 4 Relevant Objectives
- 5 Impacts and Costs
- 6 Implementation
- 7 The Case for Change
- 8 Legal Text
- 9 Recommendation

About this document:

This document is a modification, which will be presented by the Proposer to the Panel on xxxxxx. The Panel will consider the Proposer's recommendation, and agree whether this modification should proceed to consultation or be referred to a Workgroup for assessment.



3 **Any questions?**

5 Contact:

7 **Joint Office**



15 enquiries@gasgovernance.co.uk

16



19 **0121 623 2115**

20 Proposer:

Mike Wassell

21



22 Mike.J.Wassell@nationalgrid.com



01926 654167

Transporter:

Insert name



...@...



0000 000 000

Xoserve:

Insert name



commercial.enquiries@xoserve.com



0000 000 000

0xxx

Modification

Day Month Year

Version 1.0

Page 2 of 22

© 2012 all rights reserved

1 Summary

Is this a Self-Governance Modification

National Grid NTS do not believe this modification meets the necessary criteria for self governance. This modification proposes material changes to the Entry and Exit capacity regimes and as such should be subject to regulator oversight.

Why Change?

Within our RIIO March submission (Appendix B – delivering connections and capacity) we detailed the drivers for commercial change as:

- The need for the regulatory and commercial frameworks to be compatible so that they work as a package.
- Customer requests that the connections and capacity processes be better aligned.
- The introduction of the Planning Act (2008).

This modification proposes changes to the Quarterly System Entry Capacity auctions and the Enduring Annual NTS Exit (Flat) Capacity release mechanisms that National Grid NTS believe are necessary to provide rights to the Pre Capacity Agreement User (PCA User) to purchase Incremental Capacity and facilitate the key drivers detailed above.

Solution

The proposed solution has the following key elements to it:

- Incremental NTS Capacity is only guaranteed to be released where a Pre Capacity Agreement (PCA) has been agreed by National Grid NTS and a developer/User.
- Incremental NTS Capacity is made available through Ad-hoc Quarterly System Entry Capacity auctions and ad-hoc Enduring Annual NTS Exit (Flat) Capacity processes only and only to a PCA User (or a User nominated by a reservation party who is a PCA signatory)
- NTS Exit Capacity may be reserved through the ARCA provisions (contained within the PCA) by a developer with an expectation that a User will take on that capacity obligation.
- In order for National Grid NTS and the customer to align projects and for National Grid NTS to fully determine when and how Incremental NTS Capacity is to be delivered a PCA must be agreed.

Impacts & Costs

The Proposer should concisely state the key elements of the modification. Further details may be provided as required in Section 5 below. If Section 5 is left blank, the proposer should indicate who should fund the system costs associated with the change.

TBC

Implementation

If a timescale for implementation is proposed, the format explained below must be used, and brief reasons provided for each suggested date. Further details may be provided as required in Section 6 below.

In the context of this modification, what do we mean by "Incremental NTS Capacity"?

Incremental NTS Capacity means capacity over and above "Baseline NTS Capacity" (defined below) that is not met through either substitution or the release of "Discretionary NTS Capacity" (defined below).

In the context of this modification, what do we mean by "Baseline NTS Capacity"?

Baseline NTS Capacity means the amount of Firm NTS Capacity National Grid NTS is obliged to make available to Users in accordance with National Grid NTS's Transporter's licence.

In the context of this modification, what do we mean by "Discretionary NTS Capacity"?

Discretionary NTS Capacity is Firm Capacity over and above Baseline NTS Capacity that National Grid NTS may choose to release entirely at its own discretion

Oxxx

Modification

Day Month Year

Version 1.0

Page 3 of 22

© 2012 all rights reserved

At least two fixed implementation Dates must be specified, and for each of these the latest date by which an implementation decision is required if the date is to apply: e.g. 01 June 2012 if a decision to implement is issued by 15 May 2012; 01 September 2012 if a decision to implement is received by 06 August 2012. In addition, a backstop lead time must be specified to allow for any later decision date: e.g. if a decision to implement is received after 06 August 2012, implementation 21 business days following the decision to implement.

TBC depends on system impacts

The Case for Change

The Proposer should concisely state the case for implementation of this modification, outlining how the code relevant objectives would be facilitated by implementation.

TBC

Recommendations

The Proposer should state whether this modification should proceed to consultation or that assessment by a workgroup is required.

TBC

0xxx

Modification

Day Month Year

Version 1.0

Page 4 of 22

© 2012 all rights reserved

2 Why Change?



Insert subheading here

The Planning Act (2008) introduces a new streamlined process for planning decisions for Nationally Significant Infrastructure Projects (NSIPs), which for gas infrastructure is applicable only in England. The principles of the Planning Act (2008) may also apply to gas infrastructure¹ delivered as a result of Incremental Capacity signals from projects in Wales and Scotland² where reinforcement is also required in England and National Grid NTS also believe it is appropriate to apply the spirit of the Planning Act (2008) regardless of geography. For NSIPs the new planning process requires extensive optioneering and consultation with the community prior to the consideration of the application by The Planning Inspectorate and decision by the Secretary of State. This is likely to increase lead times for complex construction projects to between an estimated 72 and 96 months from the point of a formal capacity signal to delivery of that capacity. The default lead times contained within National Grid's Transporter licence in respect of the NTS places an obligation on National Grid NTS to deliver Incremental entry and exit NTS capacity to a 42 and 38 month lead time respectively.

Through our Talking Networks events held in 2011, we highlighted that the impact of the Planning Act (2008) on timescales for delivering network reinforcements to support incremental capacity meant that the current obligated lead times applicable to Incremental entry and exit capacity were not achievable where the principles of the Planning Act (2008) would be required. Releasing Incremental NTS Capacity to these obligated lead times could result in considerable constraint management costs to the industry.

Our March 2012 RIIO-T1 business plan submission included a number of proposals that could address this issue whilst facilitating the overarching objective of delivering connections and capacity together, in the most efficient lead time and in a transparent manner. We proposed that the introduction of a mandatory bi-lateral contract (PCA) for parties wishing to signal Incremental capacity would enable customer and NGG timelines to be aligned, with connections and capacity being delivered together. This process would provide more certainty to project developers, with transparency of all the process steps and deliverables required from both parties and set out a timeline from initial contact through to capacity release whilst also allowing the review, discussion and potential revision of that timeline and break out points. This would be accompanied by a phased user commitment that would ramp up in line with progression through the process culminating in full user commitment once a formal capacity signal is received in line with the current UNC principles.

Some stakeholders have previously indicated to us that they would want the release of Incremental capacity to be restricted to the party that has funded the necessary preparatory work through the bi-lateral contract. This requires a change to the UNC, and so we have been developing our proposals, as discussed at the 1st May 2012 Transmission Workgroup issues meeting and these proposals are incorporated into this modification.

Insert heading here

Use this column in a Q and A style for explanations, in order to preserve the flow of the main text.

Insert text here

¹ The Planning Act (2008) applies only to Gas Transporter Pipelines of at least 800mm diameter and 40km in length or having a likely significant effect on the environment, with a pressure of at least 7 barg and supplying at least 50,000 customers.

² The spirit of the Planning Act (2008) is likely to be applied to projects in Wales and Scotland as part of National Grid's 'one approach' to the way we

0xxx

Modification

Day Month Year

Version 1.0

Page 5 of 22

© 2012 all rights reserved

In order to facilitate the timely delivery of Incremental NTS Capacity and to allow the greater alignment of National Grid NTS and customer project timelines, the proposed solution places an obligation on Users to agree, or be nominated pursuant to, a PCA as a prerequisite to providing a formal Incremental NTS Capacity signal. Such Users will be referred to as "PCA Users" within this modification.

Note: The PCA may also be agreed by a Developer, however the formal capacity signal will need to be made by the relevant PCA User or a nominated User appointed by a developer.

Whilst it is not proposed that the PCA itself forms part of this Modification solution, the UNC will need to reference the PCA as a prerequisite to releasing such Incremental NTS Capacity. National Grid NTS believe it is imperative to develop the PCA in parallel with this modification and believe it is appropriate for this to be developed through the same Transmission workgroup to allow a fully informed industry view of the framework changes proposed.

Given the financial underpinning that is likely to be provided by a PCA User through the PCA, it is appropriate that a PCA User should have rights to that Incremental NTS Capacity agreed through, and subject to the terms of, the relevant PCA. National Grid NTS believe that one way of achieving this would be through the separation of Incremental NTS Entry and Exit Capacity from the existing March Quarterly System Entry Capacity auction (QSEC) and the Annual Application Window held in July for Enduring Annual NTS Exit (Flat) Capacity respectively. Incremental NTS Entry and Exit Capacity would then be made available to PCA Users only through the Incremental NTS Entry and Exit Ad-hoc capacity release processes as further defined in the solution below.

0xxx

Modification

Day Month Year

Version 1.0

Page 6 of 22

© 2012 all rights reserved

3 Solution



Insert heading here

Use this column in a Q and A style for explanations, in order to preserve the flow of the main text.

Insert text here

Introduction:

National Grid NTS recognise that we are currently in discussion with the industry to develop a solution and that there may be viable alternatives to the following potential solution.

For the purpose of this modification:

- "Baseline NTS Entry / Exit Capacity" means the amount of Firm NTS Entry / Exit Capacity that National Grid NTS is obliged to make available to Users in accordance with National Grid NTS's Transporter's licence;
- "Discretionary NTS Entry / Exit Capacity" means Firm NTS Entry / Exit Capacity over and above Baseline NTS Entry / Exit Capacity that National Grid NTS may choose to release entirely at its own discretion;
- and "Incremental NTS Entry / Exit Capacity" means Firm NTS Entry / Exit capacity over and above Baseline NTS Entry / Exit Capacity levels that is not met through either substitution or the release of Discretionary NTS Entry / Exit Capacity.

The following general rules expand and define the solution. Please note that the rules primarily detail the changes needed to existing processes and, where appropriate, detail existing rules and additional information that National Grid NTS believe are necessary to inform the proposed UNC changes. Where no detail has been provided the existing UNC provisions would not be changed by this modification.

The aspects of this solution that describe substitution are included for completeness. These aspects would not form part of the resultant UNC changes if this modification were to be implemented, but would be reflected within the relevant methodology statements as necessary.

NTS Entry Capacity - March Quarterly System Entry Capacity auction (QSEC) for all Users

For a QSEC auction held in March of Capacity Year Y:

1. National Grid NTS will, for each calendar quarter in Capacity Year Y+2 to Capacity Year Y+16 (inclusive), make available Unsold Baseline NTS Entry Capacity in the March QSEC.
2. Incremental NTS Entry Capacity will not be made available through the March QSEC
3. Demand for capacity over and above unsold Baseline NTS Entry Capacity levels will be accepted, to the extent that it can be, through substitution (subject to the Net Present Value test) or via the release of Discretionary NTS Entry Capacity.
4. Entry Capacity substitution will be exclusive to the March QSEC and may be utilised to fully or partially meet demand for NTS Entry Firm Capacity that is in excess of the Unsold Baseline NTS Entry Capacity levels. Such release and subsequent allocation will be subject to and in accordance with National Grid NTS's Incremental Entry Capacity Release (IECR) and NTS Entry Capacity Substitution (ECS) Methodology Statements and subject to Ofgem approval. Substitution will only be utilised where

0xxx

Modification

Day Month Year

Version 1.0

Page 7 of 22

© 2012 all rights reserved

the Net Present Value (NPV) test, detailed within the IECR, has been passed at the recipient ASEP. There are a number of possible scenarios that need to be considered, namely:

- a. The NPV test has been passed and the supply level can be fully met through substitution. National Grid NTS will present its substitution proposals to the Authority and hence the final allocation will be subject to Ofgem approval.
 - b. The NPV test has been passed but substitution is not available. Under this scenario National Grid NTS will consider, entirely at its discretion, the release of Discretionary NTS Entry Capacity to fully or partially meet the User demand.
 - c. The NPV test has been passed and substitution has been identified that can partially meet the User demand. National Grid NTS will re evaluate the NPV test at the next highest supply level (if any) that can be met entirely through substitution. If the NPV test is passed then substitution will be proposed to meet the reduced quantity and National Grid NTS will consider Discretionary NTS Entry Capacity release to up to the original supply level. If the NPV test is not passed then the process will repeat at the next lowest supply level (if any) and so on.
5. Where the NPV test has not been passed at any supply level, National Grid NTS may, entirely at its discretion, release a quantity of Discretionary NTS Entry Capacity in response to User demand over and above unsold Baseline NTS Entry Capacity levels that may partially (through pro ration) or fully meet such demand.

NTS Entry Capacity – Ad-hoc QSEC auction for PCA Users only

UNC (TPD B2.2.18) details the provisions for Ad-hoc QSEC auctions, which currently apply to new ASEPs only. This solution builds upon these provisions and expands the Ad-hoc QSEC process to existing, as well as new, ASEPs. Under this solution, the Ad-hoc QSEC auction may only be utilised by PCA Users in accordance with, and subject to the terms of, the relevant PCA. Furthermore, the Ad-hoc QSEC auction will make Incremental NTS Entry Capacity only and only for those quarters where there is no available unsold Baseline NTS Entry Capacity. This is further detailed below:

- 6. Incremental NTS Entry Capacity may be applied for through an Ad-hoc QSEC process only.
- 7. Incremental NTS Entry Capacity made available through the Ad-hoc QSEC may only be applied for by a PCA User and such application is in accordance with, and subject to the terms of the relevant PCA.
- 8. Incremental NTS Entry Capacity will be made available for quarters where there is no available Baseline NTS Entry Capacity. For all other quarters, no NTS Entry Capacity will be made available to the PCA User.
- 9. The PCA will oblige National Grid NTS to (by an agreed date that is no later than [29] days prior to the first date the PCA User may apply for Incremental NTS Entry Capacity) define:

- a. the date(s) on which applications pursuant to the PCA may be made, which shall be a period of [ten (10)] consecutive Business Days
- b. the Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive), the applicable reserve prices for Baseline NTS Entry Capacity (in accordance with the Transportation Statement). **Note:** In order to inform the Incremental NTS Entry Capacity

need case, the PCA User will have, in accordance with and defined through the PCA, applied for and subsequently been allocated [or reserved to be allocated through a Gemini process] any relevant unsold Baseline NTS Entry Capacity (including any relevant substitutable unsold Baseline NTS Entry Capacity) prior to submitting an application for Incremental NTS Entry Capacity through the Ad-hoc QSEC;

- c. and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive):
 - i. the relevant number of Quarterly Incremental NTS Entry Capacity amounts greater than the Baseline NTS Entry Capacity;
 - ii. and the step price payable by the PCA User for each different Incremental NTS Entry capacity amount

10. For transparency purposes, National Grid NTS will publish, to all Users, the information detailed above at least 28 days prior to the first date the PCA User may apply for Incremental NTS Entry Capacity.
11. National Grid NTS will allocate Incremental NTS Entry Capacity in accordance with the terms of the PCA and National Grid NTS’s Incremental Entry Capacity Release statement. For example, if a quantity of Incremental NTS Entry Capacity applied for by a PCA User differs from that agreed through the PCA, National Grid NTS will not be obliged to allocate such capacity as this may change the reinforcement requirements identified through the PCA process and may, for example, invalidate any planning consents granted.
12. For clarity, information post QSEC will be published as it is currently.

Enduring Annual NTS Exit (Flat) Capacity – July Annual Application Window for all Users

Please note that the following solution assumes that Modification 0376 – “Increased Choice when Applying for NTS Exit Capacity” has been implemented

13. National Grid NTS will, from any month in the periods Y+4, Y+5 and Y+6 make available Unsold Baseline NTS Exit Capacity. The quantity of Unsold Baseline NTS Exit Capacity made available from any Gas Month will be based upon the available quantity of Unsold Baseline NTS Exit Capacity for every Gas Month from that point onwards. For example:

Unsold NTS Exit Baseline Capacity - GWh/d

| | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Y+4 | 10 | 10 | 15 | 20 | 20 | 20 | 20 | 5 | 20 | 20 | 20 | 20 |
| Y+5 | 15 | 15 | 15 | 15 | 15 | 15 | 10 | 15 | 15 | 15 | 15 | 15 |
| Y+6 | 25 | 25 | 25 | 25 | 25 | 20 | 25 | 25 | 25 | 25 | 25 | 25 |

In this example, National Grid NTS will make available 5 GWh/d for applications effective from Y+4, 10 GWh/d for applications effective from Y+5 and 20 GWh/d for applications effective from Y+6, if we assume that post March Y+6 a quantity of 20 or more Unsold Baseline NTS Exit Capacity is available for all months from that point onwards. Alternatively, if we assume that in the example above a quantity of zero unsold Baseline NTS Exit Capacity was available in Y+6 then no Baseline NTS Exit Capacity would be made available from any Gas Month within Y+4, Y+5 or Y+6

14. Incremental NTS Exit Capacity will not be made available through the July Annual Application Window. However, demand for Enduring Annual NTS Exit (Flat) Capacity through the July Annual Application Window that is over and above unsold Baseline NTS Exit Capacity levels, may be met through substitution or the release of Discretionary NTS Exit Capacity. Such release will be subject to User commitment in accordance with the Exit Capacity Release Methodology Statement (ExCR).

15. Exit substitution will be available through the July Annual Application Window for Enduring Annual NTS Exit (Flat) Capacity and may be utilised to fully, or partially, meet demand for Enduring Annual NTS Exit (Flat) Capacity that is in excess of the Unsold Baseline NTS Exit Capacity levels. Such release, and subsequent allocation, will be subject to and in accordance with National Grid NTS's Exit Capacity Release and Exit Capacity Substitution and Revision (ExCS) Methodology Statements and subject to Ofgem approval (as it is today). There are a number of scenarios that need to be considered, namely:
 - a. The Enduring Annual NTS Exit (Flat) Capacity level can be fully met through substitution. National Grid NTS will present its substitution proposals to the Authority and hence the final allocation will be subject to Ofgem approval.
 - b. Substitution is not available to meet the demand level. Under this scenario National Grid NTS will consider, entirely at its discretion, the release of Discretionary NTS Exit Capacity to fully or partially meet the User demand.
 - c. Substitution has been identified that can partially meet the User demand. National Grid NTS will consider Discretionary NTS Exit Capacity release up to the remainder of the Enduring Annual NTS Exit (Flat) Capacity level.
 - d. No substitution or Discretionary NTS Exit Capacity release is available to meet the User demand over and above Unsold Baseline NTS Exit Capacity levels. National Grid NTS will pro rate as detailed below.

16. Given that a limited quantity of Enduring Annual NTS Exit (Flat) Capacity will be made available through the Annual Application Window, (i.e. Unsold Baseline NTS Exit Capacity (including substitution) and any Discretionary NTS Exit Capacity) it is possible that the User(s) Enduring Annual application quantities may need to be pro rated where demand for Enduring Annual NTS Exit (Flat) Capacity exceeds that which is available or where allocation of Enduring Annual NTS Exit (Flat) Capacity for an earlier period (e.g. Y+4) reduces the Enduring Annual NTS Exit (Flat) Capacity quantity available for a later period (e.g. Y+5).

17. As such Users will be required to provide a minimum (not less than 100,000 kWh/day) and maximum application quantity for Enduring Annual NTS Exit (Flat) Capacity.

18. Pro ration will be based on the maximum Enduring Annual application quantity. Where the pro rated quantity is less than the Users defined minimum Enduring Annual Application quantity, the application will be rejected and the available Enduring Annual NTS Exit (Flat) Capacity quantity will be pro rated (where necessary) amongst those Enduring Annual Applications remaining.

19. National Grid NTS will, not later than 30th September in Gas Year Y:
 - a. accept in full or, as the case may be, in part (if not rejected) a User's application (including a DNO User's revised application) for Enduring Annual NTS Exit (Flat) Capacity in accordance the ExCR and ExCS methodology statements; and notify the User of which of its applications have been accepted, and in each case for what amount of Enduring Annual NTS Exit (Flat) Capacity.

Enduring Annual NTS Exit (Flat) Capacity – Ad-hoc applications

UNC (TPD B3.2.3b in accordance with other provisions under paragraph B3.2) details the provisions for Enduring Annual NTS Exit (Flat) Capacity Ad-hoc applications for NTS Exit Points where the quantity applied for either exceeds 1 GWh/day or, if accepted, would result in Users holding in aggregate an amount of Enduring Annual NTS Exit (Flat) Capacity that is in excess of 125% of the Baseline NTS Exit (Flat) Capacity at the NTS Exit Point in respect of the Gas Year for which the application is made. The Ad-hoc application window is open between 1st of October and 30th of June in Gas year Y and Ad-hoc applications may be made at any time within this window (subject to the terms of the PCA, where required). This solution utilises the existing Ad-hoc process to release Incremental NTS Exit Capacity to PCA Users through a "PCA Ad-hoc Application" and expands the scope of the current Ad-hoc process for the release of Unsold Baseline NTS Exit Capacity and Discretionary NTS Exit Capacity for all Users.

The proposed changes do not impact upon the additional flexibility introduced through Modification 0376 i.e. applications may still be made effective from any month within the period M+6 to Y+6 and made on any day within October to June of Gas Year Y. However where a PCA has been agreed, this will be subject to the PCA defined lead time and the terms of the PCA (where a PCA has been signed).

To clarify, the Ad-hoc application process for all Users will allow the release of Enduring NTS Exit (Flat) Capacity through:

- b. Unsold Baseline NTS Exit Capacity and/or;
- c. Discretionary NTS Exit Capacity and/or;
- d. Substitution of Unsold Baseline NTS Exit Capacity (from Y+4 only) and/or;

Incremental NTS Exit Capacity will be made available to PCA Users through the Ad-hoc application process.

Ad-hoc Exit Applications for all Users

National Grid NTS will, from M+6, through to Y+6 make available Unsold Baseline NTS Exit Capacity by default (i.e. National Grid NTS no longer has discretion over such release due to no associated Incremental NTS Exit Capacity Release). The quantity of Unsold Baseline NTS Exit Capacity made available from any Gas Month will be defined as the available quantity of Unsold Baseline NTS Exit Capacity for every Gas Month from that point onwards

For example:

| | | Unsold Baseline NTS Exit Capacity | | | | | | | | | | | |
|-----------------------------------|--|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | M+6 M+7 M+8 M+9 M+10 M+11 | | | | | | | | | | | |
| | | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep |
| M+6 (where M is September) | | - | - | - | - | - | - | 20 | 15 | 20 | 20 | 20 | 20 |
| Y+1 | | 10 | 10 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Y+2 onwards | | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |

In this example, National Grid NTS will make available 7 GWh/d from M+6 onwards if we assume 7 GWh/d is available for all periods from Y+2 onwards.

20. Demand for Enduring Annual NTS Exit (Flat) Capacity, through the Ad-hoc Application Window (excluding a PCA Ad-hoc Application), that is over and above unsold Baseline NTS Exit Capacity levels may be met through substitution in accordance with the ExCS methodology statement (from Y+4 onwards) or through the release of Discretionary NTS Exit Capacity (from M+6 onwards). Such release will be subject to User commitment in accordance with the ExCR.
21. Exit substitution will be available through the Ad-hoc Application Window (excluding a PCA Ad-hoc Application) and may be utilised to fully or partially meet demand for Enduring Annual NTS Exit (Flat) Capacity that is in excess of the Unsold Baseline NTS Exit Capacity levels. Such release and subsequent allocation will be subject to and in accordance with National Grid NTS's ExCR and Exit Capacity Substitution and Revision Methodology Statements and subject to Ofgem approval (as it is today). There are a number of scenarios that need to be considered, namely:
 - a. The Enduring Annual NTS Exit (Flat) Capacity level can be fully met through substitution. National Grid NTS will present its substitution proposals to the Authority and hence the final allocation will be subject to Ofgem approval.
 - b. Substitution is not available to meet the demand level. Under this scenario National Grid NTS will consider, entirely at its discretion, the release of Discretionary NTS Exit Capacity to fully or partially meet the User demand.
 - c. Substitution has been identified that can partially meet the User demand. National Grid NTS will consider Discretionary NTS Exit Capacity release up to the remainder of the Enduring Annual NTS Exit (Flat) Capacity level.
 - d. No substitution or Discretionary NTS Exit Capacity release is available to meet the User demand over and above Unsold Baseline NTS Exit Capacity levels. National Grid NTS will pro rate as detailed below.
22. This solution removes the existing UNC provisions (ref TPD UNC B3.2.10) relating to the Ad-hoc offer process, given that Incremental NTS Exit Capacity can only be released where a PCA has been signed (i.e the PCA process effectively replaces the Ad-hoc offer process for Incremental NTS Exit Capacity). In particular, National Grid NTS believe it is no longer appropriate to have discretion over the timing of such release given that we will, by default, be making a defined quantity of Unsold Baseline NTS Exit Capacity available by default through the Ad-hoc application process.
23. Given that limited quantities of Enduring Annual NTS Exit (Flat) Capacity will be made available through the Ad-hoc Application Window, (i.e. Unsold Baseline NTS Exit Capacity (including substitution) and any Discretionary NTS Exit Capacity) it is possible that the User(s) Ad-hoc application quantities may need to be pro rated where demand for Enduring Annual NTS Exit (Flat) Capacity exceeds that which is available or where allocation of an Enduring Annual NTS Exit (Flat) Capacity for an earlier period (e.g. M+6) reduces the Enduring Annual NTS Exit (Flat) Capacity quantity available for a later period (e.g. Y+2).
24. As such Users will be required to provide a minimum and maximum application quantity for Enduring Annual NTS Exit (Flat) Capacity. **Note:** The maximum application quantity should exceed 1 GWh/day or, if accepted, would result in Users holding in aggregate an amount of Enduring Annual NTS Exit (Flat) Capacity in excess of 125% of the Baseline NTS Exit (Flat) Capacity at the NTS Exit Point in respect of the Gas Year for which the application is made.
25. Pro ration will be based on the maximum Enduring Annual application quantity. Where the pro rated quantity is less than the Users defined minimum Enduring Annual Application quantity, the application will be rejected and the available

0xxx

Modification

Day Month Year

Version 1.0

Page 12 of 22

© 2012 all rights reserved

Enduring Annual NTS Exit (Flat) Capacity quantity will be pro rated (where necessary) amongst those Enduring Annual Applications remaining.

26. Where a User's application is rejected, that User may choose to approach National Grid NTS to agree a PCA and begin bi lateral discussions with respect to the release of Incremental NTS Exit Capacity.
27. National Grid NTS will notify the User as soon as possible after an Ad-hoc application is received, but in any event by not later than fifteen Business Days after the application was received; unless National Grid NTS is of the opinion there is likely to be a requirement for capacity substitution in accordance with the principles in the prevailing ExCS Methodology Statement, in which case [ninety] days after the application was received;
 - a. its acceptance in full or, as the case may be, in part (if not rejected) a User's application (including a DNO User's revised application) for Enduring Annual NTS Exit (Flat) Capacity in accordance the ExCR and ExCS methodology statements;
 - b. and which of the User's applications have been accepted, and in each case for what amount of Enduring Annual NTS Exit (Flat) Capacity.
28. Within ten days of a notification detailed in paragraph 27, National Grid NTS will publish:
 - a. the NTS Exit Point at which the Enduring Annual NTS Exit (Flat) Capacity is to be registered
 - b. the amount of Enduring Annual NTS Exit (Flat) Capacity registered;
 - c. the Registration Date(s)

PCA Ad-hoc Applications - PCA Users only

29. Incremental NTS Exit Capacity may be applied for by a PCA User only through a "PCA Ad-hoc Application" and such a PCA Ad-hoc application will only make Incremental NTS Exit Capacity available (subject to the terms of the PCA). Non PCA Users can not apply for Incremental NTS Exit Capacity through the Ad-hoc Application window.
30. In order to inform the Incremental NTS Exit Capacity need case, the PCA User will have, in accordance with and defined through the PCA, applied for and subsequently been allocated [or reserved to be allocated through a Gemini process] any relevant unsold Baseline NTS Exit Capacity (including any relevant substitutable Unsold Baseline NTS Exit Capacity) prior to submitting an application for Incremental NTS Exit Capacity through a PCA Ad-hoc Application
31. No minimum threshold will apply to a PCA Ad-hoc Application.
32. Incremental NTS Exit Capacity will only be made available from a gas month where there is no available Baseline NTS Exit Capacity from that gas month onwards (subject to the terms of the PCA).
33. The User's PCA Ad-hoc Application will be effective from a month agreed through the PCA.
34. The PCA will oblige National Grid NTS to (by an agreed date) define and publish:
 - a. the date(s) on which PCA Ad-hoc Applications pursuant to the PCA may be made;
 - b. the NTS Exit Point, and in respect of the period M+6 through to Y+6, the indicative price or, as the case may be, actual price for Enduring Annual NTS Exit (Flat) Capacity (in accordance with the Transportation Statement).

Note: In order to inform the Incremental NTS Exit Capacity need case, the PCA User will have, in accordance with and defined through the PCA,

0xxx

Modification

Day Month Year

Version 1.0

Page 13 of 22

© 2012 all rights reserved

applied for and subsequently been allocated any relevant unsold Baseline NTS Exit Capacity prior to submitting a PCA Ad-hoc Application;

- c. and in respect of each of the period M+6 through to Y+6, the amount of Incremental NTS Exit Capacity available.

35. Where such an application is not in accordance with the terms of the PCA, National Grid may, at its discretion, reject such application.

36. National Grid NTS will allocate Incremental NTS Exit Capacity in accordance with the terms of the PCA and National Grid NTS's ExCR methodology statement. For example, if a quantity of Incremental NTS Exit Capacity applied for by a PCA User differs from that agreed through the PCA, National Grid NTS will have full discretion as to whether such capacity can be allocated given that this may change the reinforcement requirements identified through the PCA process and may invalidate any planning consents granted.

37. National Grid NTS will notify the User as soon as possible after a PCA Ad-hoc Application is received, but in any event by not later than [ninety] days after the application was received;

- a. its acceptance in full or, as the case may be, in part (if not rejected) a User's application for Enduring Annual NTS Exit (Flat) Capacity in accordance the ExCR methodology statement and the terms of the PCA;
- b. and which of the User's applications have been accepted, and in each case for what amount of Enduring Annual NTS Exit (Flat) Capacity.

38. Within [ten] days of a notification detailed in paragraph 35, National Grid NTS will publish:

- a. the NTS Exit Point at which the Enduring Annual NTS Exit (Flat) Capacity is to be registered
- b. the amount of Enduring Annual NTS Exit (Flat) Capacity registered;
- c. the Registration Date(s)

NTS Exit ARCA and Demonstration Dates

National Grid NTS propose retaining the existing ARCA principles defined under UNC B3.3. We propose that the existing ARCA contract provisions will be incorporated into the PCA

0xxx

Modification

Day Month Year

Version 1.0

Page 14 of 22

© 2012 all rights reserved

4 Relevant Objectives

Impact of the modification on the **Relevant Objectives:**

| Relevant Objective | Identified impact |
|--|------------------------|
| a) Efficient and economic operation of the pipe-line system. | Positive/Negative/None |
| b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters. | Positive/Negative/None |
| c) Efficient discharge of the licensee's obligations. | Positive/Negative/None |
| d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers. | Positive/Negative/None |
| e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers. | Positive/Negative/None |
| f) Promotion of efficiency in the implementation and administration of the Code | Positive/Negative/None |
| g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators | Positive/Negative/None |

The following section should explain how each of the impacts identified above would arise and so further the objective identified.

Insert subheading here

Insert text here

0xxx

Modification

Day Month Year

Version 1.0

Page 15 of 22

© 2012 all rights reserved

5 Impacts and Costs



Insert heading here

Use this column in a Q and A style for explanations, in order to preserve the flow of the main text.

Insert text here

Concisely state the impact the modification will have on the relevant objectives. Indicate an estimate of likely implementation costs (if known).

Consideration of Wider Industry Impacts

Will the modification be impacted by or have an impact upon wider industry developments? If an impact is identified the Workgroup should justify why the benefit of the modification outweighs the potential impact.

Insert subheading here

Insert text here

Costs

Include here any proposal for the apportionment of implementation costs amongst parties.

| Indicative industry costs – User Pays |
|--|
| Classification of the modification as User Pays or not and justification for classification |
| |
| Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification |
| |
| Proposed charge(s) for application of Users Pays charges to Shippers |
| |
| Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve |
| |

Impacts

| Impact on Transporters' Systems and Process | |
|---|------------------|
| Transporters' System/Process | Potential impact |
| UK Link | • |
| Operational Processes | • |
| User Pays implications | • |

| Impact on Users | |
|--------------------------------|------------------|
| Area of Users' business | Potential impact |
| Administrative and operational | • |

0xxx

Modification

Day Month Year

Version 1.0

Page 16 of 22

© 2012 all rights reserved



Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:
www.gasgovernance.co.uk/sites/default/files/0565.zip

| Impact on Users | |
|---|---|
| Development, capital and operating costs | • |
| Contractual risks | • |
| Legislative, regulatory and contractual obligations and relationships | • |

| Impact on Transporters | |
|---|------------------|
| Area of Transporters' business | Potential impact |
| System operation | • |
| Development, capital and operating costs | • |
| Recovery of costs | • |
| Price regulation | • |
| Contractual risks | • |
| Legislative, regulatory and contractual obligations and relationships | • |
| Standards of service | • |

| Impact on Code Administration | |
|-------------------------------|------------------|
| Area of Code Administration | Potential impact |
| Modification Rules | • |
| UNC Committees | • |
| General administration | • |

| Impact on Code | |
|----------------|------------------|
| Code section | Potential impact |
| | • |
| | • |

| Impact on UNC Related Documents and Other Referenced Documents | |
|--|------------------|
| Related Document | Potential impact |
| Network Entry Agreement (TPD I1.3) | • |
| Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4) | • |

| Impact on UNC Related Documents and Other Referenced Documents | |
|--|---|
| Storage Connection Agreement (TPD R1.3.1) | • |
| UK Link Manual (TPD U1.4) | • |
| Network Code Operations Reporting Manual (TPD V12) | • |
| Network Code Validation Rules (TPD V12) | • |
| ECQ Methodology (TPD V12) | • |
| Measurement Error Notification Guidelines (TPD V12) | • |
| Energy Balancing Credit Rules (TPD X2.1) | • |
| Uniform Network Code Standards of Service (Various) | • |

| Impact on Core Industry Documents and other documents | |
|---|------------------|
| Document | Potential impact |
| Safety Case or other document under Gas Safety (Management) Regulations | • |
| Gas Transporter Licence | • |

| Other Impacts | |
|--|------------------|
| Item impacted | Potential impact |
| Security of Supply | • |
| Operation of the Total System | • |
| Industry fragmentation | • |
| Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties | • |

6 Implementation



Insert heading here

Use this column in a Q and A style for explanations, in order to preserve the flow of the main text.

Insert text here

Include here a view on implementation including any assumptions, the costs and benefits of a range of implementation options and a justification. If a suggested implementation date is not provided and the Authority decision is to accept the Modification, then the Transporters will assess the most efficient implementation timescales.

If a timescale for implementation is proposed, the format explained below must be used, and brief reasons provided for each suggested date.

At least two fixed implementation Dates must be specified, and for each of these the latest date by which an implementation decision is required if the date is to apply: e.g. 01 June 2012 if a decision to implement is issued by 15 May 2012; 01 September 2012 if a decision to implement is received by 06 August 2012. In addition, a backstop lead time must be specified to allow for any later decision date: e.g. if a decision to implement is received after 06 August 2012, implementation 21 business days following the decision to implement.

Suggested wording for Self-Governance Modifications:

As self-governance procedures are proposed, implementation could be 16 business days after a Modification Panel decision to implement.

0xxx

Modification

Day Month Year

Version 1.0

Page 19 of 22

© 2012 all rights reserved

7 The Case for Change

This section allows further development of the case than is included in the earlier summaries

In addition to that identified the above, the Proposer has identified the following:

Advantages

Insert text here

Disadvantages

Insert text here



Insert heading here

Use this column in a Q and A style for explanations, in order to preserve the flow of the main text.

Insert text here

0xxx

Modification

Day Month Year

Version 1.0

Page 20 of 22

© 2012 all rights reserved

8 Legal Text

Text, either suggested or formal, should be inserted at this point. The status of this text should also be stated.

Suggested Text

Insert text here

0xxx

Modification

Day Month Year

Version 1.0

Page 21 of 22

© 2012 all rights reserved

9 Recommendation



The Proposer invites the Panel to:

- DETERMINE that Modification XXXX progress to [Workgroup/Consultation]

Insert heading here

[Insert relevant text or delete box]

Oxxx

Modification

Day Month Year

Version 1.0

Page 22 of 22

© 2012 all rights reserved