

Stage 03: Draft Modification Report

0393:

Interruptible to Firm – NTS Supply Points Transition

What stage is this document in the process?



The modification sets out a series of administrative steps that Users will be required to carry out to ensure all Interruptible Supply Points connected to the NTS are recorded on transporter systems as 'Firm' with effect from 01 October 2012. The modification also permits National Grid NTS, where those steps are not carried out by the User, to complete these steps on behalf of the User.



Responses invited by 03 February 2012.



Low Impact: Approx 18 Shippers, 29 NTS Supply Points, and 43 logical meter points

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About this document:

This document is a Draft Modification Report, which was issued for consultation responses, at the request of the Panel on 15 December 2011.

The close-out date for responses is 03 February 2012.

The Panel will consider the responses and agree whether or not this Self-Governance Modification Proposal should be made.



3 Any questions?

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1 Summary



Is this a Self-Governance Modification?

The Modification Panel determined that this is a Self-Governance Modification.

The Modification Panel determined that this modification meets the Self-Governance criteria - implementation would be unlikely to have a material effect on either:

- existing or future gas consumers; or
- competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; or
- the operation of one or more pipe-line system(s); or
- matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; or
- the uniform network code governance procedures or the network code modification procedures.

Why Change?

As a result of Modification 195AV, from 01 October 2012 interruptible supply will no longer exist on the NTS. There is a risk that all the necessary steps may not be taken for all affected NTS Supply Points to transition from Interruptible to Firm status.

Solution

Users should take the lead in the process to remove NTS Interruptible Supply Points from the relevant Transporter systems. This Proposal creates an obligation on Users to do so. However, where a User does not take the appropriate action, this Proposal establishes the authority for National Grid NTS to take appropriate action on the Users' behalf.

Impacts & Costs

Shippers will incur administrative costs in respect of this modification. These costs are expected to be minimal, and in line with normal business practice. It is therefore proposed that each Shipper bears its own costs. National Grid NTS will also incur limited administrative costs, which will be borne by National Grid NTS.

Further minimal administrative costs will be incurred by the Transporters' agent in managing the Supply Point Administration processes, whether initiated by a User or by National Grid NTS.

Existing systems and processes will be used, so there will be no systems development costs for any party.

Implementation

As this is a self-governance modification, implementation can be 16 business days after a Modification Panel decision to implement, but implementation no earlier than 1 March is recommended.

The Case for Change

Implementation of Modification 0195AV requires that all NTS Supply Points be set up as Firm. It is believed that the most efficient and comprehensive way of ensuring that existing Interruptible Supply Points transition to Firm is for relevant Users to be obliged to undertake the necessary changes, but with a fallback allowing National Grid NTS to undertake changes in the event that Users do not. By ensuring a smooth transition,

This Proposal refers throughout to NTS Supply Points. What about CSEPs?

The process for changing the status of Connected System Exit Points (CSEPs), which includes Storage Connections and Interconnectors, is not stated in UNC. These connections have Ancillary Agreements. A separate UNC modification Proposal is being considered which will facilitate changes to these Agreements and the transition of Interruptible to Firm status for all CSEPs.

relevant objective (f) "Promotion of efficiency in the implementation and administration of the Code", would be better facilitated by implementation.

Recommendations

All parties are invited to consider whether they wish to submit views regarding this Self-Governance Modification.

2 Why Change?



What is a Supply Point Component?

A Supply Point (whether or not this consists of one or more metered exit point) may be subdivided for commercial purposes into a "Firm Supply Point Component" and an "Interruptible Supply Point Component". Where there are multiple Users at a Supply Point (a Shared Supply Point) there may be one or more registered Users for each Supply Point Component.

National Grid NTS raised this modification to ensure that the status of all NTS Supply Points is recorded as "Firm" on Transporter systems such that contractual and operational statuses are aligned and are consistent with UNC. This needs to be effective from the commencement of the revised NTS exit regime, i.e. 01 October 2012.

As a result of Modification 195AV, from 01 October 2012 interruptible supply will no longer exist on the NTS. It is necessary, therefore, that affected NTS Supply Points transition from Interruptible to Firm status. This modification gives effect to and facilitates the envisaged transition. The change is event related and the obligations introduced will therefore be transitional in nature; implementation will have no enduring effect on the operation of the UNC.

When a Shipper becomes a registered User at an NTS Supply Point a unique individual logical meter number – "LMN" is created for that Shipper at that Supply Point. A second LMN will be created if the Shipper is registered at both the Interruptible and Firm Supply Point Components. The LMN is the reference against which Users can make gas flow nominations for each Gas Day. Subsequently actual gas flows are allocated against these LMNs. Whenever there is a change of status, or new Shipper at a Supply Point Component, a new LMN is created. Hence, the transition from Interruptible to Firm will always involve the removal of the existing Interruptible LMN (and any Firm LMNs at Shared Supply Meter Points – "SSMPs"). In addition, a new Firm LMN will be created for each relevant Shipper.

It should be noted that from 01 October 2012 a User is not required to be registered as holding NTS Exit (Flat) Capacity that is Firm, but that the Supply Point must be Firm. The User may book Off-peak Daily NTS Exit (Flat) Capacity without being registered as holding Firm capacity.

UNC TPD Section A4.4.3 states that an NTS Supply Point may not be an Interruptible Supply Point. However, until 01 October 2012 transitional rules apply and the Transition Document (Part IIC) paragraph 11.1.1 allows for NTS Interruptible Supply Points with paragraph 5.3 providing for Users to re-designate Supply Points as Firm; but paragraph 5.3. does not require Users to do so. Except in certain defined circumstance (not relevant to this modification) the UNC does not allow Transporters to initiate the changes on the User's behalf. Notwithstanding the requirements of paragraph 5, and the timescales within paragraph 5 of the Change Request Deadline in respect of an Eligible Status Change Date, this modification, if implemented, will ensure that the necessary transition from Interruptible to Firm will be undertaken by 01 October 2012.

3 Solution

In order to facilitate the transition from Interruptible to Firm a one-off change to Supply Point status is required. If implemented, this Proposal will introduce this specific change.

It is National Grid NTS preference that Users take the lead in the process to remove Interruptible Supply Points on the NTS from Transporter systems. This is particularly relevant for multi-Shipper SSMPs where, following the removal of Interruptible Supply Point Components, Shippers may wish to revise allocation arrangements. A reconfirmation in respect of a multi-Shipper SSMP will require to be completed by all relevant Shippers, even those who are Firm only, and this will include confirmation of allocation arrangements.

Where a User does not take the appropriate action, this Proposal establishes the authority for National Grid NTS to take appropriate action on the Users' behalf.

- 1. It is proposed that each User is required, before 1st September 2012, in respect of affected NTS Supply Points, to complete the conversion of such Supply Points from Interruptible status to Firm status with an effective date of 1st October 2012.**

With the exception of 1st October 2012, a reconfirmation for an affected Supply Point (i.e. any Supply Point, including Shared Supply Meter Points, with an Interruptible Supply Point Component) requested to take effect on another date during the period 1st September 2012 to 12th October 2012 will be rejected.

- 2. It is further proposed that, where Users fail to comply with the above requirement, as from 1st September 2012, National Grid NTS will undertake such actions on the Users' behalf.**

All parameters relating to the User at the Interruptible Supply Point Component shall be replicated for the existing or new Firm Supply Point Component except for; the Interruptible status and the aggregation of current Interruptible allocation arrangements and SOQs to the same User's Firm (if any) quantities.

Shipper Driven Process

To facilitate the re-designation of affected Supply Points, Users shall, consistent with existing Supply Point Administration processes, nominate and reconfirm as Firm, each of their Interruptible Supply Points (including SSMPs). The reconfirmation shall be submitted no later than 31st August 2012 with an effective date of 1st October 2012. The nomination shall be submitted on a date that ensures that the reconfirmation can be submitted, in line with Supply Point Administration rules stated in UNC Section G, as required.

Transporter Process

If, on 1st September 2012, there is no Supply Point reconfirmation for an affected Supply Point in the Transporter systems National Grid NTS will create a Supply Point reconfirmation on behalf of the incumbent User with a proposed effective date of



What are allocation arrangements?

For a Shared Supply Meter Point it is necessary to allocate physically metered quantities to commercial LMNs. In the event that individual quantities are not provided for each LMN by Shippers (or their agent) a standing default will apply. The default is provided in a notice to Xoserve, e.g. Shipper A (Firm): 80%, Shipper B (Interruptible): 20%.

Will there be an impact on SSMP administration charges?

SSMP administration charges will continue to apply. However, this Proposal will have no impact on these charges except that some SSMPs (i.e. single shipper with both Firm and Interruptible) will no longer be SSMPs and will not attract further charges.

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1st October. An indication of the action to be taken for each site configuration scenario is provided below (see Transporter Action).

Site Configuration	Existing Allocations	Transporter Action	Revised Configuration	New Allocations
Single Shipper (Int only)	100 %	Close Int LMN Create new Firm LMN	Single Shipper (Firm only)	100 %
Single Shipper (Firm & Int)	Firm: X % Int: Y %	Close F & I LMNs Create new Firm LMN Create new site ID*		
Multi-Shipper (Int only)	Shipper A Int: X % Shipper B Int: Y %	Close all existing Firm & Int LMNs Create new Firm LMNs for each Shipper.	Multi-Shipper (Firm only)	Shipper A: X % Shipper B: Y %
Multi-Shipper (Firm & Int combinations)	Shipper A Firm: X % Shipper B Int: Y %			Shipper A: W+X % Shipper B: Y+Z %
	Shipper A Firm: W % Shipper A Int: X % Shipper B Firm: Y % Shipper B Int: Z %			Shipper A: X+Y % Shipper B: Z %
	Shipper A Firm: X % Shipper A Int: Y % Shipper B Firm: Z %			

* When an existing Supply Point becomes a Shared Supply Point (and vice versa) a new site ID is created. This is irrespective of the change from Interruptible to Firm status.

4 Relevant Objectives

Implementation will better facilitate the achievement of **Relevant Objective f.**

The benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	No
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.	No
c) Efficient discharge of the licensee's obligations.	No
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.	No
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.	No
f) Promotion of efficiency in the implementation and administration of the Code	Yes
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	No

As part of the implementation of Modification 0195AV with effect from 01 October 2012, it is a requirement of the UNC that all NTS Exit Points are set up as Firm. It is believed that the most efficient and comprehensive way of ensuring that existing Interruptible Supply Points transition to Firm is for relevant Users to be obliged to undertake the necessary changes with effect from the relevant date, but with a fallback allowing National Grid NTS to undertake changes in the event that Users do not. This will ensure that the necessary processes are undertaken such that all NTS Supply Points comply with the requirements of the UNC with effect from 01 October 2012. Ensuring compliance is achieved in all circumstances through a proportionate, minimal cost, approach is consistent with relevant objective (f), promoting efficiency in the implementation and administration of the Code.

5 Impacts and Costs



How much administration is involved?

Approximately 18 Users will be required to submit nominations covering 29 NTS Exit Points. Mostly one submission per User; highest is five. Approximately 34 transactions will need to be undertaken by Xoserve.

Consideration of Wider Industry Impacts

No impacts on wider industry developments are anticipated.

Costs

It is anticipated that Shippers will incur administrative costs in respect of this modification. These costs are expected to be minimal, and in line with normal business operation. It is therefore proposed that each Shipper bears its own costs. National Grid NTS will also incur limited administrative costs, which will be borne by National Grid NTS.

Further minimal administrative costs will be incurred by the Transporters' agent in managing the Supply Point Administration processes, whether initiated by a User or by National Grid NTS.

This modification does not require any systems changes so there will be no systems development costs for any party.

Indicative industry costs – User Pays

Classification of the Proposal as User Pays or not and justification for classification

This is not a User Pays modification since there are no central systems costs involved.

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	• None
Operational Processes	• None
User Pays implications	• None

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Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> • Users will be required to re-register their Interruptible Supply Points as Firm. • All Shippers at SSMPs need to confirm allocation arrangements. • New LMNs will be created for all Shippers at affected Supply Points. • A new site ID will be created for sites changing from SSMP to standard.
Development, capital and operating costs	<ul style="list-style-type: none"> • None – existing processes will be used
Contractual risks	<ul style="list-style-type: none"> • None identified
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> • None identified



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:
<http://www.gasgovernance.co.uk/sites/default/files/0565.zip>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> • None
Development, capital and operating costs	<ul style="list-style-type: none"> • None
Recovery of costs	<ul style="list-style-type: none"> • None
Price regulation	<ul style="list-style-type: none"> • None
Contractual risks	<ul style="list-style-type: none"> • None
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> • None
Standards of service	<ul style="list-style-type: none"> • None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> • None
UNC Committees	<ul style="list-style-type: none"> • None
General administration	<ul style="list-style-type: none"> • None

Impact on Code	
Code section	Potential impact
Transition Document IIC	Temporary rules will be required to require Users, and in default National Grid NTS, to change the status of Interruptible Supply Points.

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	None
Storage Connection Agreement (TPD R1.3.1)	None
UK Link Manual (TPD U1.4)	None
Network Code Operations Reporting Manual (TPD V12)	None
Network Code Validation Rules (TPD V12)	None
ECQ Methodology (TPD V12)	None
Measurement Error Notification Guidelines (TPD V12)	None
Energy Balancing Credit Rules (TPD X2.1)	None
Uniform Network Code Standards of Service (Various)	None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None
Gas Transporter Licence	None

Other Impacts	
Item impacted	Potential impact
Security of Supply	None
Operation of the Total System	None
Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	None

6 Implementation

As Self-Governance procedures are proposed, implementation could be 16 business days after a Modification Panel decision to implement, but implementation no earlier than 01 March 2012 is recommended.

7 The Case for Change

None in addition to that identified above.

8 Legal Text

National Grid NTS has provided the following Legal Text:

Transition Document Part IIC

Amend paragraph 5.3.1 (a) to read as follows:

"5.3.1 Where a Supply Point is for the time being an Interruptible Supply Point;

- (a) subject to paragraph 5.3.2 and except where the Supply Point is or is to be a TNI Supply Point, the Registered User may shall redesignate the Supply Point as Firm with effect from an Eligible Status Change Date, by giving notice to the Transporter not later than the Change Request Deadline and in any event by no later than 31 August 2012;"**

Add new paragraph 5.3.10 to read as follows:

"5.3.10 Where a Supply Point is for the time being an Interruptible Supply Point:

- (a) by no later than 31 August 2012, a User of an Interruptible Supply Point shall by submitting a Supply Point Reconfirmation apply to change its status to a Firm Supply Point with effect from 1 October 2012.**
- (b) a User of an Interruptible Supply Point may not apply to change its status to a Firm Supply Point with a Supply Point Registration Date on a date between 1 September and 12 October 2012 (inclusive) other than on 1 October 2012.**
- (c) where any application by a User of an Interruptible Supply Point to change its status to a Firm Supply Point does not comply with paragraph 5.3.10 (b) it shall be rejected by the Transporter.**
- (d) where any User of an Interruptible Supply Point does not apply to change its status to a Firm Supply Point in accordance with paragraph 5.3.10 (a), or where its application is rejected in accordance with paragraph 5.3.10 (c), the User shall be deemed to have granted National Grid**

NTS the authority to do so from 1 September 2012 and National Grid NTS, by creating a Supply Point Offer and submitting a Supply Point Reconfirmation, shall change the status of an Interruptible Supply Point to a Firm Supply Point on 1 October 2012.

(e) where National Grid NTS creates a Supply Point Offer and submits a Supply Point Reconfirmation pursuant to paragraph 5.3.10 (d) it will include within it all existing details relating to the existing Supply Point to generate the Supply Point Offer and Supply Point Reconfirmation.

(f) in the event of a conflict between the provisions of paragraph 5.3.10 and any other provision of paragraph 5, paragraph 5.3.10 shall apply.”

9 Recommendation

All parties are invited to consider whether they wish to submit views regarding this Self-Governance Modification.

The close-out date for responses is 03 February 2012, which should be sent to enquiries@gasgovernance.co.uk.

A response template which you may wish to use is at www.gasgovernance.co.uk/0393



Consultation Ends

On 03 February 2012