

Development Workgroup - 0337
'Introduction of an Inter-Day Linepack Product'

Draft Terms of Reference

1. Background

Development Modification Proposal 0337 has been raised following the conclusions of Review Group 0291 (RG0291) 'NTS Licence Special Condition C27 – Balancing Arrangements' (C27). RG0291 determined that the review of the existing UNC provisions with respect to Linepack was complete;

'...the Group did not conclude that this review had identified any deficiencies in the UNC which meant that a recommendation could be made to support a modification. However it was recognised that potential Modifications could be assessed and developed on their own merits if any UNC party were to raise a Modification'.

National Grid has raised this Modification Proposal to provide the industry with an opportunity to develop and assess an Inter-day Linepack Product. It is anticipated that this process, and the development of any alternative products (such as the cumulative imbalance deviation or hybrid option introduced during RG0291 discussions), will inform the report which National Grid is required to provide to Ofgem in accordance with Special Licence Condition C27 by April 2010.

2. Scope and Deliverables

The Transmission Workstream is requested to:

1. Develop Business Rules for Proposal 0337 and any alternatives which may be brought forward.
2. To assess the merits of Proposal and any alternatives that may be brought forward.
3. Recommend to the Modification Panel whether Proposal 337 and any (formally raised) alternative Proposal are sufficiently developed to proceed to the Consultation phase.
4. Recommend whether any non-UNC changes should be pursued in support of implementing either Proposal 0337 or any alternative.

In developing business rules, the Workstream is requested to consider in particular:

- The mechanism(s) for releasing the proposed Linepack Product should be as simple as possible; and
- The development of supporting charging arrangements

When assessing the merits of Proposal 0337 or any alternative, the Workstream is requested to consider in particular:

- Demonstrable improvements to the Relevant Objectives; Economic and efficient System Operation (No adverse impact on physical linepack and other flexibility utilisation (Linepack offered to remain within safe operational limits of the pipeline system) nor NGG NTS Residual Balancing Role; maintain incentives on parties to daily balance their energy portfolios)
- Efficient discharge of licence obligations (Benefits outweigh the costs; commercial opportunity / viability; aligned to the C27 obligations; aligned to SO incentive structure)
- Facilitates effective competition (Does not undermine the NBP or storage markets; use of Linepack be valued appropriately)
- Efficient administration of the UNC (requires no material changes to the National Grid Gas Safety Case;
- Consistency with the European Directives;
- No unjustified impact on central nor Shipper IT systems;
- FSA compliance maintained.

3. Limits

The 0337 Review Workgroup will not review the C27 default SMP cashout price revision/replacement obligations.

4. Composition

Open to all

5. Information Source

- UNC - Section D – Operational Balancing and Trading Arrangements
Section E – Daily Quantities, Imbalance and Reconciliation

- Network Code version 2.00 - May 1998 – section D2 – Flexibility Bids
- UK Link –Gemini system

6. Timetable

Meetings will be arranged as necessary, but expected to be at least monthly. The process to be complete by [March] Panel to enable NTS to submit a C27 report to Ofgem.

Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines. Space will be limited at all meetings, but numbers may be flexible as we pack more or less into the limited space in the interests of efficiency.

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