

**CODE MODIFICATION PROPOSAL No. 00xx**  
**"Introduction of a DN Pensions Deficit Charge on DNO Users"**  
Version 0.1

**Date:** 07/12/2006

**Proposed Implementation Date:** 01/04/2007

**Urgency:** Non-Urgent

**Proposer's preferred route through modification procedures and if applicable, justification for Urgency**

National Grid NTS seeks this Modification Proposal to proceed direct to consultation in accordance with Section 7.3 of the modification procedures in the UNC.

**Nature and Purpose of Proposal (including consequence of non implementation)**

As part of Ofgem's Transmission Price Control Review (TPCR) proposals (Apr 2007 – Mar 2012), it is anticipated that an allowance for the National Grid UK Pension Scheme deficit will be included in the maximum NTS transportation owner revenue (TOMR). It is intended that the allowance for the deficit costs will be recovered from DNO Users by the introduction of a new DN Pensions Deficit Charge that would be levied on DNO Users with effect from the start of the next Transmission Price Control.

National Grid NTS has recently raised a Pricing Consultation Paper (NTS GCM02) that proposes the introduction of a new transportation charge, known as a DN Pensions Deficit Charge, that would be levied on DNO Users on a monthly basis from 1 April 2007. The UNC would therefore need to be modified to define the proposed charge in the UNC and to provide for its application and payment terms in respect of DNO Users.

It is proposed that the UNC would make reference to National Grid NTS' Transportation Charging Methodology Statement, and that the existing invoicing and credit provisions contained in Sections S and V of the UNC, would apply where relevant for DNO Users.

Implementation of the Proposal would thus enable implementation of charges that have been proposed within NTS GCM02. It is intended that these proposed charges would become effective from 1 April 2007, although the precise timing would be subject to agreement of Ofgem's final TPCR proposals.

**Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence**

Implementation would in the Proposer's view allow implementation of the proposed DN Pensions Deficit Charge and avoid inconsistency with the Gas Transmission Transportation

Charging Methodology Statement. Implementation of this Proposal would thus further the efficient discharge of National Grid NTS's obligations under its Gas Transporter Licence and thus better facilitate the achievement of Standard Special Condition A11.1 (c).

**Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text**

**a. Proposed implementation timetable**

**b. Proposed legal text**

**TPD Section B**

*Amend paragraph 1.12 to read as follows:*

“1.12 In this Section B references to Users, except in paragraphs 1.2.1, 1.2.5, 3.9, 6 and 7, exclude DNO Users.”

*Insert a new paragraph 7 as follows:*

**“7. DNO Pension Deficit Charge**

**7.1 DNO Users shall pay National Grid NTS a monthly charge (the “DN Pension Deficit Charge”) in respect of pension deficits. The amount of such DN Pension Deficit Charge shall be determined in accordance with the Transportation Statement of National Grid NTS. Such DN Pension Deficit Charges shall be invoiced and payable in accordance with Section S and shall (for the avoidance of doubt) be invoiced on an Ad-hoc Invoice.”**

**TPD Section V**

*Amend paragraph 3.1.3 to read as follows:*

“3.1.3 In this paragraph 3 references to:

- (a) Users ~~excludes~~ includes DNO Users;
- (b) National Grid NTS and National Grid plc as DN Operator shall be construed as a single reference to a Transporter.”

**c. Advantages of the Proposal**

National Grid NTS believes that this Proposal, if implemented, would provide for the implementation of the proposed DN Pensions Charge which has been proposed within NTS

GCM02, and would ensure alignment between the UNC and the (amended) Gas Transmission Transportation Charging Methodology Statement, subject to decision from the Authority, in respect of DN Pensions Charges.

**d. Disadvantages of the Proposal**

National Grid NTS is unaware of any disadvantages of the Proposal.

**e. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

No such implications are envisaged.

**f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including**

**i. implications for operation of the System**

Implementation is not expected to affect the operation of the System.

**ii. development and capital cost and operating cost implications**

Any costs associated with changes to the billing systems are expected to be minimal.

**iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs**

Any costs associated with system development and operating processes would be covered under the internal cost incentive.

**iv. analysis of the consequences (if any) this proposal would have on price regulation**

Implementation would ensure alignment between the UNC and the proposed changes to the Gas Transmission Transportation Charging Methodology statement.

**g. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

Implementation is expected to reduce the level of contractual risk of National Grid NTS by allowing it to charge DNO Users in accordance with its Gas Transmission Transportation Charging Methodology Statement.

**h. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

As the DN Pensions Deficit Charge would be invoiced by offline systems, any systems changes would not affect the core UK Link System.

**i. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

No such implications are envisaged.

**Code Concerned, sections and paragraphs**

UNC Section B 1.12 & 7 ; Section V3

**Proposer's Representative**

Dominic Harrison (National Grid NTS)

**Proposer**

Paul Roberts (National Grid NTS)

**Signature**

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