

CODE MODIFICATION PROPOSAL No. TR01
Delaying the implementation of the Ad-hoc application principle of the enduring offtake
arrangements
DRAFT

Date: 31/12/2008
Proposed Implementation Date: 01/04/2009
Urgency: NON URGENT

*** Draft – depending on whether 0195 AV is implemented ***

1 The Modification Proposal

- a) *Where capitalised words and phrases are used within this Modification Proposal, those words and phrases shall usually have the meaning given within the Uniform Network Code (unless they are otherwise defined in this Modification Proposal). Key UNC defined terms used in this Modification Proposal are highlighted by an asterisk (*) when first used. This Modification Proposal*, as with all Modification Proposals, should be read in conjunction with the prevailing Uniform Network Code* (UNC). This includes words and phrases used within Modification Proposal 195AV.*

This Modification Proposal* covers the delay of Ad-hoc Applications (as detailed in section B3.2.3(b) of the 0195AV legal text) whereby a User* can obtain Enduring Annual NTS Exit (Flat) Capacity* for utilisation from 01 October 2012. The proposed delay would be from 01 April 2009 to 01 October 2009. Future Ad-hoc Applications are not affected by this proposal and therefore Ad-hoc Applications may be made at any time between 01 October 2009 and 30 June 2010 and within the same period each year thereafter. All enduring NTS Exit Capacity* bookings begin from the 01 October 2012 therefore the proposed delay from 01 April 2009 to 01 October 2009 should not impact booking opportunities. Furthermore the proposed delay would be more compatible with the Exit Capacity Release Methodology Statement* timeline allowing applications to be made after rather than before the ExCR is approved.

On 01 April 2009 Modification* 0195AV will provide enduring NTS Offtake arrangements. Users will be granted an initial amount of Enduring Annual Exit (Flat) Capacity based on the sum of their maximum Firm* and Interruptible* Capacity held in Gas Year (07/08) at each NTS Exit Point* on 01 May 2009. Users will be able to apply for Enduring Annual NTS Exit (Flat) Capacity rights at any New* or existing NTS Exit Point during a July Annual Application Window * in Gas Year* Yn for use from Gas Year Yn+4, Yn+5 or Yn+6 onwards. Users will also be able to apply for Enduring Annual NTS Exit (Flat) Capacity rights at any New or existing NTS Exit Points via Ad-hoc Applications from 01 April 2009 to 30 June 2009 and then from October 2009 to June 2010. It should be stressed that all of the above bookings are for NTS Exit Capacity which are effective from 01 October 2012, when the enduring period begins.

National Grid NTS proposes that the first period whereby a User can make an Ad-hoc Application is delayed. A User may still apply via an Ad-hoc Application in 2009 (from 01 October 2009 to June 2010) and for the same period in each year after. This would be a permanent change to take effect from 01 April 2009.

National Grid NTS believes that this delay would be beneficial because:-

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- It would better fit the ExCR timeline whereby the ExCR Methodology Statement is not submitted until the 01 April 2009 and is therefore not approved. Applications could not be made whilst the Methodology Statement is not approved due to the 0195AV legal text application and allocation rules referring to the ExCR in numerous places.
- It would seem appropriate to hold an Annual Application prior to an Ad-hoc Application.
- This would avoid Users making Ad-hoc applications prior to knowing their actual initial holdings which are not released until 01 May 2009.
- The following timetable would lead to a more phased timing of applications for 2009; the enduring processes would then apply for each year thereafter.
 - Initial Enduring Annual NTS Exit (Flat) Capacity holdings as at 01 May 09 (capacity to begin from 01 October 2012)
 - Applications for new or additional capacity in the July Application Window each year from 2009 onwards for Enduring Annual NTS Exit (Flat) Capacity (capacity to begin from 01 October 2012)
 - Applications to acquire new or additional Enduring Annual NTS Exit (Flat) Capacity via Ad-hoc Applications in 2009 (01 October 09 to 30 June 10). Ad-hoc Applications could then be submitted between 01 October and 30 June each year thereafter.

National Grid NTS believes that it would not be reducing any application opportunities and there would be no disadvantage to this delay because:-

- All exit capacity booked does not begin until 01 October 2012, a further three years away, when the Enduring period begins. Any Ad-hoc Application submitted prior to July 09 could only apply from 01 October 2012, therefore the July 09 Application Window will provide the same opportunity.

b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)

Urgent Procedures are not requested.

c) Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.

NTS will discuss this issue at the January Transmission Workstream and subsequently submit the Modification proposal. The proposal can then proceed to consultation with a view to submission at the February panel in order to get a decision before 01 April 2009. In order to achieve these timelines National Grid NTS is of the opinion that either a short consultation period or submission of the Final Modification Report* at short notice to the Modification Panel* is required. We would welcome views on this.

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2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives.

- National Grid NTS believes that in respect of Standard Special Condition A11 (f), the promotion of efficiency in the implementation and administration of the network code and or the uniform code would be improved by the implementation of this Proposal. This is because this Proposal would avoid Applications being submitted prior to the ExCR (and the associated rules within it) being approved.
- National Grid NTS believes that in respect of Standard Special Condition A11 (a), the efficient and economic operation of the pipeline system, this Proposal would avoid Applications being submitted prior to Users receiving notification of their Initial Enduring Annual NTS Exit (Flat) Capacity and therefore avoids the potential for inefficient or unnecessary user commitment signals being received.

3 The implications of implementing this Modification Proposal on security of supply, operation of the Total System and industry fragmentation

National Grid NTS believes this proposal would benefit operation of the Total System* due to the capacity booking windows being made available in a more timely order. The July window would be followed by the October Ad-hoc window each year .The first year would follow the same pattern without being out of sync with all of the remaining years.

4 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

a) The implications for operation of the System:

National Grid NTS believes that the operation of the system* would not be adversely affected. It could prove beneficial to the operation of the system as capacity would be booked in a more timely order i.e. not booked before the initial holdings were known.

b) The development and capital cost and operating cost implications:

No cost implications have been identified.

c) Whether it is appropriate to recover all of any of the costs and, if so, a Proposal for the most appropriate way for these costs to be recovered:

Not applicable.

d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

No such consequences have been identified.

5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)

Not applicable.

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6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users

Not applicable.

7 The implications for Users of implementing the Modification Proposal, including:

a) The administrative and operational implications (including impact upon manual processes and procedures)

National Grid NTS believes there are no administrative or operational implications by delaying the Ad-hoc Applications until 01 October 2009. Capacity for 01 October 2012 will be available through the initial holdings released, and can be booked via the July 2009 Application window.

b) The development and capital cost and operating cost implications

National Grid NTS believes there are no development, capital or operating cost implications.

c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

No consequences on the level of contractual risk have been identified.

8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)

No consequences on the implementation for other relevant persons have been identified.

9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters

National Grid NTS has not identified any such consequences.

10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above

Advantages

National Grid NTS believes that the benefits of this proposal are that:

- This delay would better reflect the ExCR timeline with the timescale allowing applications to be made after the methodology statement is approved. Without this delay any Ad-hoc Applications made in April, May and June would be made without the ExCR being approved and as such the rules contained within the Methodology statement not being defined .
- Users will acquire their initial holdings prior to being able to apply for further capacity bookings through the various windows. Therefore bookings will be made with the knowledge of their capacity holdings.

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- The 2009 July window will be the first window whereby Users can acquire further capacity for 01 October 2012. The next Ad-hoc window (October to June) will then follow in October 2009 .This will begin the flow to acquire capacity in a more timely way for the year i.e. July window then Ad-hoc in the October

Disadvantages

- National Grid NTS is not aware of any disadvantages in relation to this proposal. Any capacity booking made by a User will not have effect until 01 October 2012. This proposal will result in the first annual application window to be open on the 01 July 2009 (after implementation on 01 April 2009) and a User may apply via an Ad-hoc application on the 01 October 2009 through to June 2010 and the same occurring in 2010 and onwards. Therefore the removal of the initial ad-hoc application period should have no impact on the ability to make applications for 01 October 2012.

11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)

Not applicable.

12 Detail of all other representations received and considered by the Proposer

Not applicable.

13 Any other matters the Proposer considers needs to be addressed

Not applicable.

14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal

Proposal discussed at Transmission Workstream	Jan 08
Proposal submitted to Mod Panel	Jan 15
Proposal issued for consultation (subject to Panel approval)	Jan 22
Proposal discussed at Transmission Workstream	Feb 05
Closeout for representations	Feb 12*
Modification Panel decide upon recommendation	Feb 19
FMR submitted to Ofgem	Feb 20
Proposed implementation date	Apr 01

NB – National Grid NTS proposes that this Modification Proposal is discussed at the January Transmission workstream and proceeds to consultation with a view to submitting the Proposal to the February panel. It is hoped that this will allow a decision early enough in 2009 before the 01 April implementation date for Exit reform.

* In order to achieve a timely decision National Grid NTS would recommend either a shortened consultation period or submission of the FMR to February panel at short notice.

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15 Comments on Suggested Text

To be advised.

16 Suggested Text

To be advised.

Code Concerned, sections and paragraphs

Section(s)

UNC Transition Document, Section B

Proposer's Representative

National Grid NTS

Proposer

National Grid NTS