Joint Office of Gas Transporters

Stage 04: Final Modification Report

What stage is this document in the process?

01 Proposal

02 Workgroup Report

03 Draft Modification Report

04 Final Modification Report

0352:

The Introduction of an Interruptible Reverse Flow service at Moffat Interconnector

This modification proposal seeks to amend and restate the Moffat CSEP Ancillary Agreement to incorporate provisions for an Interruptible Reverse Flow service at Moffat Interconnector.

Panel recommended implementation

High Impact:

Medium Impact:
National Grid NTS and Shippers

Low Impact:

Contents

Any questions?

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About this document:

This document is a Final Modification Report, to be presented to the Panel on 15 September 2011. The Authority will then consider the Panel's Recommendation and decide whether or not this change should be made.

1 Summary

Is this a Self-Governance Modification

Self-governance does not apply.

Why Change?

The present commercial arrangements do not allow for a Commercial Interruptible Reverse Flow service at the Moffat Exit Point.

Solution

It is proposed that the current Moffat CSEP Ancillary Agreement is amended and restated to the Moffat Ancillary Agreement (MAA) via this UNC Modification Proposal. As such, the proposed MAA will effectively become a combined Exit and Entry Ancillary agreement allowing signatories to utilise the Entry and/or Exit services at the Moffat Interconnector.

In addition, it is also proposed to amend the CSA to recognise that, although there is no physical entry flow, the CSA will include Network Entry Provisions to facilitate the Commercial Interruptible Reverse Flow service.

It is proposed if an allocation agent is not appointed for the purpose of providing commercial reverse flow energy allocations, or the appointed allocation agent(s) fails to provide energy allocations, or the energy allocations do not conform with UNC and Ancillary Agreement requirements then the default allocation rules would apply to both Entry and Exit Moffat Users, as detailed under TPD UNC Section E, unless stated otherwise within the MAA; in particular, a default commercial reverse flow allocation mechanism will be applied by National Grid NTS in accordance with TPD UNC Sections E2.1.8 and E2.1.9(b) and with a further default of a zero entry flow if these sections cannot be applied.

It is proposed that BGE (UK) will be the providers of the OPNs in the absence of an OPN agent appointed by Moffat Users or where the appointed OPN agent fails to provide the OPN.

Where Moffat Users and BGE Shippers together wish to appoint an OPN agent then this is subject to agreement from BGE (UK) and National Grid NTS on the basis that they are reasonably satisfied as to the technical and operational ability of the proposed agent to submit Exit Flow Profiles (in accordance with Annex B2 of the CSA); and the methodology by which the Agent shall develop such Exit Flow Profiles is in a form which is acceptable to such Operators.

In order to give effect to these changes National Grid NTS is proposing this modification proposal and the rationale for this is explained in more detail in Section 3.

Impacts & Costs

- Implementation and ongoing costs are anticipated to be minimal
- The impact of default allocations on Moffat Exit Users is potentially higher, although the risk of default allocations being applied is small
- Introduces greater energy market liquidity to GB, Northern Ireland and Eire

Implementation

It is proposed that implementation should be as soon as possible following signature of the varied CSA.

The Case for Change

Introducing a reverse flow service at Moffatt will help to further integrate markets, and facilitate greater market liquidity, thereby facilitating the securing of effective competition.

Recommendations

The Panel recommended that this modification be implemented.

2 Why Change?

Currently GB has three gas interconnector points, namely Bacton IUK, BBL and Moffat. IUK operates, between Bacton and Zeebrugge, a bi-directional service that has the capability to physically flow gas both into and out of the UK. In addition to the physical capability to flow into Bacton, BBL offers a commercial exit service providing for non physical 'deemed' flows out of the UK (to the Netherlands). Moffat currently operates a physical service to Ireland and the Isle of Man.

In 2009, National Grid NTS signalled its intent to facilitate a reverse flow service at all Interconnectors. Discussions have been ongoing with Gaslink and Ofgem regarding the introduction of a Commercial Interruptible Reverse Flow service at the Moffat Exit Point. Ofgem consulted on licence changes that enable National Grid NTS to treat Moffat as an NTS Entry Point. National Grid NTS has developed the terms of a Commercial Interruptible Reverse Flow service at Moffat.

Users wishing to physically offtake Gas from the NTS at Moffat must accede to a CSEP Ancillary Agreement. The CSEP Ancillary Agreement between National Grid NTS and CSEP Users at Moffat details specific requirements primarily for the purposes of energy allocations and nominations and exit capacity booking, whilst also ensuring National Grid NTS receives OPNs that reflect the physical real time offtake of gas. The CSEP Ancillary Agreement is part of the UNC for the purposes of enabling such Agreement to be modified.

Additionally a CSA is in place between National Grid NTS and BGE (UK) that contains certain Network Exit Provisions which affect existing CSEP Users at Moffat.

In order to introduce the Commercial Interruptible Reverse Flow service at Moffat, changes are required to both the CSEP Ancillary Agreement and the Moffat Network Exit Provisions, contained in the CSA.

Currently, the CSEP Ancillary Agreement relates only to exit. Additional provisions will be required due to the high level of interaction between the exit physical flow, exit energy nominations and allocations and the entry energy nominations and allocations that will be required for the introduction of a Commercial Interruptible Reverse Flow service. Relevant entry Users will be required to be parties to this agreement. Therefore it is proposed to combine the Moffat exit and entry requirements into a single agreement through amendment and restatement of the existing Moffat CSEP Ancillary Agreement as the Moffat Ancillary Agreement. This revised version will replace and supersede the existing Moffat CSEP Ancillary Agreement.

Changes to the Network Exit Provisions contained in the CSA are required because these provisions will be affected by the introduction of entry provisions. Changes required to the CSA have been agreed in principle by BGE (UK) and they will be issuing the document for consultation with BGE Shippers. Any CSA change is subject to regulatory oversight in Ireland, pursuant to BGE (UK)'s Licence.

British Gas also made the point that this proposal has been instigated by developments in European legislation rather than in response to shipper-driven market requirements.

3 Solution

1. Moffat CSEP Ancillary Agreement changes.

It is proposed that the current Moffat CSEP Ancillary Agreement is amended and restated to become the Moffat Ancillary Agreement (MAA). As such, the proposed MAA will effectively become a combined Exit and Entry Ancillary agreement allowing signatories that are CSEP Users and SEP Users to utilise the Entry and/or Exit services at the Moffat Interconnector.

For clarity, it is proposed that current arrangements relating to accession to the Moffat CSEP ancillary agreement will continue to apply, i.e. in relation to the amended MAA existing Exit CSEP Users shall automatically accede to the MAA but may opt out through submitting a formal request to National Grid NTS. New CSEP Users may accede to the amended MAA through submitting a formal request to National Grid NTS.

The proposed amendments to the MAA are as follows:

- The addition of provisions, for the purposes of UNC, to designate Moffat as a System Entry Point (SEP) and to require SEP Users to be a party to it.
- Ensuring that no physical entry flow can occur.
- Provisions, for the purposes of the MAA, to refer to signatories of the MAA as Moffat Users and further permit Moffat Users to declare whether they wish to become a CSEP User, SEP User or both.
- Provisions, for the purposes of UNC, to allow SEP Users to make NTS Entry Nominations and receive entry energy allocations at the SEP.
- Provisions, for the purposes of UNC, for a default commercial reverse flow allocation mechanism to be applied by National Grid NTS in the absence of a User appointed Entry Allocation Agent. This default mechanism is to apply UNC TPD section E. Where TPD Section E2.1.8 cannot be applied (in the absence of any Moffat Input Nomination(s)/ Renomination(s)) and TPD Section E2.1.9(b) cannot be applied (no entry shipper allocation for the preceding day), the entry allocations will be zero and consequently only the physical measurement will be allocated to Exit Users in accordance with UNC TPD (ref E1.9).
- Provisions, for the purposes of UNC, to ensure any exit energy allocations at the CSEP are at least equal to or greater than the aggregate entry energy allocations at the SEP for the same Gas Day.
- Provisions, for the purposes of UNC, to ensure SEP Users only hold Daily Interruptible NTS Entry Capacity (as defined under TPD B2.5). This does not preclude SEP Users at Moffat holding NTS Entry Capacity (firm and/or interruptible) at other ASEPs.
- Provision for the appointment by Moffat Users and BGE Shippers of an agent to provide OPNs subject to the agreement of National Grid NTS and the Connected System Operator (CSO).
- Provisions, for the purposes of UNC, for BGE (UK) to supply the OPNs as a default arrangement in the absence of an OPN Agent appointed by Moffat users or in the absence of an OPN being provided by the appointed OPN Agent.
- Provisions to exclude liability of BGE (UK) and National Grid NTS in respect of OPNs developed or provided by BGE (UK), this is on the basis that this is equivalent to liability provisions which applied in respect of the agent previously

appointed to deliver OPNs. It is noted that where Moffat Users and BGE Shippers appoint their agent then this provision will of course not apply.

In addition to the changes detailed above, National Grid NTS are also taking the opportunity to make some further minor amendments;

- UNC references have been updated to reflect the current UNC numbering
- Name changes from Transco plc to National Grid Gas plc
- Removal of references to the RTPA provisions which are no longer required
- Changes to the definitions to facilitate the changes above
- Correction of typographical errors
- Cross referencing between the MAA and the CSA to reflect the changes detailed above
- Removal of all references to the flow control valve which have been redundant since Beattock compressor station has been in use

For clarity, the proposed changes will be limited to those needed to facilitate a Commercial Interruptible Reverse Flow service at Moffat and not to introduce any additional changes to the existing exit provisions.

2. CSA Changes.

The proposed changes to the CSA are as follows:

1) Introduction of Network Entry Provisions to identify a SEP but recognise that no physical entry flow will be permitted.
2) Changes to enable BGE (UK) to move from providing a single daily end of day physical meter read (which due to the absence of a reverse mechanism always matches the combined gross commercial energy allocations) to providing three figures, namely:
    a. gross commercial exit end of day quantities
    b. gross commercial entry end of day quantity
    c. net physical end of day quantity measured by the meters (equal to (a) – (b) above)

3) Changes obliging BGE (UK) to provide OPNs that reflect the physical offtake measurement profile at Moffat to National Grid NTS, in the absence of an appointed OPN agent or in the absence of the appointed OPN agent(s) providing such OPNs to National Grid NTS.

4) Changes that oblige Moffat users and the BGE Shippers to gain agreement from National Grid NTS and BGE (UK) to any OPN Agent(s) the Moffat users wish to appoint.

In addition to the proposed changes detailed above, National Grid NTS also propose taking the opportunity to make some further minor amendments;

- definition changes relating to entry provisions, to facilitate the above and for additional clarity
- name changes from Transco plc to National Grid Gas plc
- UNC references have been updated to reflect the current UNC
- removal of references to the RTPA provisions which are no longer required
- flexibility to introduce the provision of future TSO/TSO electronic communications
- correction of typographical errors
- updated contact details

- removal of information that is not provided or required (both now and in the future).
- cross referencing between the MAA and the CSA to reflect the changes above

The details of all the Changes proposed are provided as suggested text and based on agreement in principle to those changes from BGE (UK). When the revised CSA has been signed the impacted Network Exit Provisions will be produced as final legal text for the purposes of this UNC Modification and implemented for the purposes of Code by this Modification. Any changes to the MAA that are required as a result of changes to the CSA will be treated in the same way.

3. Modification Proposal requirements.

CSEP Ancillary Agreement and CSEP Users

Given the potential effects on CSEP Users of the changes, National Grid NTS believes that a UNC Modification Proposal is the correct vehicle for introducing them.

Please note however, that the general rule in TPD, Section V1.1.4 (see below) is that an Ancillary Agreement may only be amended by agreement of the Transporter and the User(s) that are parties, and cannot be modified under the Modification Rules.

"1.1.4 An Ancillary Agreement may be amended by agreement of the Transporter and the User(s) party to that Agreement and not otherwise; and accordingly an Ancillary Agreement shall not be subject to modification pursuant to the Modification Rules (but without prejudice to any modification of any provisions of the Code which apply to or are incorporated into such Agreement)."

However, UNC TPD J6.6.2 (see below) states that a CSEP Ancillary Agreement is part of the Code to enable it to be modified under the Modification Rules.

"6.6.2 A CSEP Ancillary Agreement shall be deemed to be a part of the Code for the purposes of enabling such Agreement to be modified pursuant to the Modification Rules."

This is supported by Clause 1.3 (see below) of the existing Moffat CSEP Ancillary Agreement which states that it may be modified pursuant to the Modification Rules:

"1.3 This Agreement is a Network Code Ancillary Agreement for the purposes of Section V1.1, and (in accordance with Section J6.6.2) may be modified pursuant to the Modification Rules."

As such it is the view of National Grid NTS that an amendment to the CSEP Ancillary Agreement is possible by this Modification Proposal.

SEP Users becoming party to the MAA

In order to enable the operation of a Commercial Interruptible Reverse Flow service at Moffat, System Entry Point (SEP) Users will be required to become party to the Moffat Ancillary Agreement, Section V1.1.6 (see below) provides for this.

"Any Ancillary Agreement applying in respect of a System Entry Point or Connected System Exit Point shall provide (in such manner as the Transporter shall reasonably determine) for any User who may (or intends to) deliver gas to or (as the case may be) offtake gas from the Total System at that point to accede to such agreement; and the Transporter may refuse to allow a User who has not acceded or agreed to accede to such an Agreement to deliver or offtake gas or to hold System Capacity or to make a Nomination at or in respect of the relevant System Point."

Furthermore, the revised Clause 1.3 of the Moffat Ancillary Agreement states:

"Each SEP User agrees and shall be deemed to have agreed (for the purposes of Section V1.1.4) that this Agreement (including its provisions relating to the SEP) may be so modified."

UNC TPD J6.4 states:

"6.4 Amendment of Network Exit Provisions

6.4.1 The Transporter will not agree with the Connected System Operator to amend any provision of CSEP Network Exit Provisions which governs or otherwise is directly relevant to the arrangements between the Transporter and Users pursuant to the Code except in accordance with Section J4.3.6."

These CSEP Network Exit Provisions are contained in the CSA.

UNC TPD J 4.3.6 states that "the Transporter will not agree to a modification of the Network Exit Provisions (other than increases to the Permitted Ranges) applicable to a System Exit Point except:

(i) with the consent in writing of all Users who are the Registered Users or CSEP Users (as the case may be) at the date when such amendment is to take effect at the System Exit Point; or

(ii) in accordance with paragraph 4.3.7."

UNC TPD J4.3.7 states that "where the Transporter and the relevant consumer or Connected System Operator (as the case may be) have agreed (subject to a Code Modification) upon an amendment to any such Network Exit Provisions, such Network Exit Provisions may be amended for the purposes of the Code by way of Code Modification pursuant to the Modification Rules."

Therefore, before changes to the Network Exit Provisions in the CSA may be implemented, either the consent of all the specific Moffat CSEP Users must be obtained or a UNC Modification is required.

National Grid NTS believes that a UNC Modification is the most appropriate means of achieving this in this instance, ensuring transparency of the new service. National Grid NTS believes that it is imperative for Users to be fully aware of and have adequate opportunity to understand the changes this proposal introduces through this modification process.

4 Relevant Objectives

Implementation will better facilitate the achievement of **Relevant Objectives b and d.**

The benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	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.	See explanation below
c) Efficient discharge of the licensee's obligations.	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.	See explanation below
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.	None
f) Promotion of efficiency in the implementation and administration of the Code	None

Observing that this proposal has been instigated by developments in European legislation rather than in response to shipper-driven market requirements, British Gas commented that it was therefore unable to assess the extent to which any new interruptible reverse flow service will be utilised, and hence the extent to which the cited relevant objectives might be met.

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. Efficient and economic operation of the pipe-line system.

By facilitating energy nominations and allocations into the NTS, access to the NTS is provided that would otherwise be absent. This may allow for greater co-ordination between the National Transmission System and the Northern Ireland and Eire pipe-line system(s) and the respective Users of the pipe-line systems. Additionally, the potential for commercial flows (in addition to physical flows) from the NTS to the BGE pipeline system is introduced, enabling diversity and choice to Users of both pipe-line systems. Implementation would therefore be expected to support User choice and so promote efficient and economic operation.

British Gas did not agree that this modification will better facilitate relevant objective

(b), since it did not believe that transmission system operators to, and in, Northern Ireland and Eire are Relevant Gas Transporters for the purposes of assessing this proposal. Rather, British Gas understood that this term only applies to transporters in the GB market.

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.

Implementation would provide for greater competition between relevant Shippers and increase market liquidity by facilitating greater access to the GB market and potentially allowing additional supplies into the GB market. Providing for energy nominations and allocations into the NTS from Moffat interconnector also allows greater scope for energy nominations and allocations from the NTS into Northern Ireland and Eire in excess of the physical exit flow, which may increase and secure effective competition between relevant Shippers and therefore apply downward pressure on prices due to increased market activity.

British Gas considers that the most relevant objective facilitated is (d) and agrees that when assessed against this objective, this proposal could be expected to be somewhat beneficial.

5 Impacts and Costs

Consideration of Wider Industry Impacts

No implications from wider industry developments have been identified.

Costs

Indicative industry costs – User Pays
Classification of the Proposal as User Pays or not and justification for classification
Not User Pays because no User Pays service is to be introduced nor amended, and there will be no change to central systems.
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
Not applicable.
Proposed charge(s) for application of Users Pays charges to Shippers
Not applicable.
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve
Not applicable.

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	• None
Operational Processes	• Minor impact - some new operational processes are required as a result of the input allocation mechanism.
User Pays implications	• None

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	• See above.
Development, capital and operating costs	• None.
Contractual risks	• The introduction of a Commercial Interruptible Reverse Flow service at Moffat may impact upon the default allocations CSEP Exit Users at Moffat receive. As such this may also impact Users' contractual obligations.
Legislative, regulatory and contractual obligations and relationships	• Views are welcomed from the industry

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	• Minor changes may be experienced due to the existence of a reverse flow service, supporting User choice and coordination with other TSOs
Development, capital and operating costs	• There are additional costs that may be incurred due to changes in National Grid NTS processes but these are expected to be minimal.
Recovery of costs	• None
Price regulation	• None
Contractual risks	• None
Legislative, regulatory and contractual obligations and relationships	• Scotia Gas Networks (SGN), as the downstream Transporter to Stranraer, is convinced that the implementation of this modification cannot lead to any detrimental effect on SGN's ability to meet its Licence obligations or physical effect on the capacity of the downstream network in order to satisfy the planning standard.
Standards of service	• None

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 Code Administration	
Area of Code Administration	Potential impact
Modification Rules	• None
UNC Committees	• None
General administration	• None

Impact on Code	
Code section	Potential impact
	None

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	The CSA will become a combined NExA and NEA for Moffat.
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	Impacted due to the inclusion of Entry provisions into the amended and restated Moffat CSEP Ancillary Agreement.
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	Moffat is defined as a System Entry Point with a zero baseline within the Gas Transporter Licence in respect of the NTS.

Other Impacts	
Item impacted	Potential impact
Security of Supply	The introduction of a Commercial Interruptible Reverse Flow service at Moffat interconnector potentially enhances security of supply by increasing diversity of supply into the NTS.
Operation of the Total System	Minor changes may be experienced due to the existence of a reverse flow service, supporting User choice and coordination with other TSOs.
Industry fragmentation	Industry Fragmentation is potentially reduced through the introduction of the reverse service by providing wider access to Markets otherwise not accessible in the absence of this modification.

Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	**Consumers** – Northern Ireland and Eire consumers are potentially impacted by the introduction of the reverse service at Moffat since such a service could result in less physical delivery of Gas into Ireland. This impact is expected to be managed by the Interconnector pipeline operator. **Connected System Operators** – BGE (UK) is the Connected System Operator and needs to agree to the introduction of the proposed service at Moffat. As such, an amended Connected System Agreement (CSA) has been drafted and agreed in principle with BGE (UK) and the relevant amendments have been summarised and included alongside this modification.

6 Implementation

Ideally, this UNC proposal should be implemented by 01 October 2011.

It is recognised that the implementation of the proposed service is not possible until the CSA is amended to facilitate the modification. BGE (UK) intend to issue the document for consultation to BGE Shippers. Any change is subject to regulatory oversight in Ireland, pursuant to BGE (UK)'s Licence.

It is therefore proposed that the implementation of this modification should be as soon as possible post signature of the varied CSA.

Both Gazprom RWE npower agree implementation of this modification is contingent upon the existing CSA being amended, which is subject to Irish governance processes. Implementation will therefore need to be as soon as possible following completion of the necessary amendments to the CSA.

National Grid NTS confirmed (in its representation) that it would require minimal lead time for implementation of this modification proposal and as such one business day's notice would be sufficient to implement. In the event that Modification Proposal 0352 is implemented by the Authority, National Grid NTS recommends that the implementation is effective from the first business day in October 2011 (3rd of October 2011).

National Grid NTS also pointed out that the amended CSA (as provided) is subject to signature. Both National Grid NTS (as National Grid Gas) and BGE (UK) have agreed the CSA in principle. As such National Grid NTS fully expect that formal agreement (via signature) of the amended CSA will be forthcoming prior to October 2011 but recognises that implementation of the proposal is not possible until this formal agreement is received.

7 The Case for Change

None further to that identified above.

8 Legal Text

Explanatory note

This Modification Proposal states that:

- By UNC TPD J6.6.2, a CSEP Ancillary Agreement is part of the Code to enable it to be modified under the Modification Rules.
- By UNC TPD J4.3.7, where the Transporter and the relevant consumer or Connected System Operator (as the case may be) have agreed (subject to a Code Modification) upon an amendment to any such Network Exit Provisions, such Network Exit Provisions may be amended for the purposes of the Code by way of Code Modification pursuant to the Modification Rules.
- The amended CSEP Ancillary Agreement and CSA contain entry related provisions for the purpose of giving effect to the Modification Proposal.
- The details of all the changes proposed in respect of the CSEP Ancillary Agreement and the CSA have been provided as suggested text.

For clarification, this is not suggested text to amend the Uniform Network Code but it has been provided to ensure visibility of the suggested text that is required to modify the existing CSEP Ancillary Agreement and CSA. For ease of reference, these amended documents have been provided (as separate documents alongside this modification) in their entirety with both with and without revision markings to show the amendments.

9 Consultation Responses

Representations were received from the following parties:

Respondent	
Company/Organisation Name	Support Implementation or not?
British Gas Trading	Support
Gazprom Marketing & Trading Retail	Support
National Grid NTS	Support
RWE Npower plc/RWE Supply & Trading GmbH	Support
Scotia Gas Networks	Support

Of the five representations received, implementation was unanimously supported.

Summary Comments

British Gas considered that there will be an element of increased risk to existing NTS offtake arrangements. Under this proposal, existing NTS exit capacity holders who may have no interest in reverse flow arrangements, will become exposed to energy allocation errors which are not possible under prevailing arrangements. This also exposes a weakness in the UNC entry capacity overrun regime when applied to an arrangement such as that proposed by 0352. This proposal involves the sale of interruptible entry capacity to be offered at zero reserve price, and British Gas believes it is reasonable to assume that capacity prices will never go above zero. Therefore, the application of any price multiplier as set out in the UNC for establishing overrun charges will still result in a zero charge. British Gas considers that this weakens the incentive on shippers to book entry capacity, and to flow gas only up to the level of their capacity holding. It would be helpful if this proposal sought to describe how overruns would be treated in this context, and/or to address this deficiency, which would occur as a result of its implementation.

National Grid NTS wished to emphasise that although the proposed amendments to the aforementioned agreements provide for default arrangements to be applied for Entry allocations and Offtake Profile Notice(s) (OPNs) submission, in each case these arrangements are only applied in the absence of a Moffat User appointed agent or where such agent does not provide the necessary information.

10 Panel Discussions

The Chair summarised that this is a facilitating modification, involving no change to the UNC. Implementation would, however, enable inclusion of an Interruptible Reverse Flow service at the Moffat Interconnector within the Moffat Ancillary Agreement (MAA). The MAA will effectively become a combined Exit and Entry Ancillary agreement, allowing signatories to utilise Entry and/or Exit services at the Moffat Interconnector.

In addition, the modification enables amendments to be made to the Connected System Agreement (CSA), such that the CSA will include Network Entry Provisions that facilitate the Commercial Interruptible Reverse Flow service - no physical entry flow is anticipated.

Members considered that implementation would be expected to provide for greater competition between relevant Shippers and increase market liquidity by facilitating greater access to the GB market and potentially retaining supplies within the GB market. Providing for energy nominations and allocations into the NTS from Moffat interconnector also allows greater scope for energy nominations and allocations from the NTS into Northern Ireland and Eire in excess of the physical exit flow, which may increase and secure effective competition between relevant Shippers and therefore apply downward pressure on prices due to increased market activity. Implementation would therefore be expected to facilitate the relevant objective of securing effective competition between Shippers.

Some Members also recognised that, by facilitating contractual changes that establish a commercial interruptible reverse flow service, access to the NTS is provided that would otherwise be absent. This may allow for greater co-ordination between the NTS and the Northern Ireland and Eire pipe-line system(s) and the respective Users of the pipe-line systems. Implementation could, therefore, be regarded as facilitating efficient and economic system operation.

With 11 votes cast in favour, Panel Members unanimously determined to recommend that Modification 0352 should be implemented.

Implementation could better facilitate the achievement of **Relevant Objectives b and d.**

The benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Yes
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.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers;	Yes

(ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	
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.	None
f) Promotion of efficiency in the implementation and administration of the Code	None

11 Recommendation

Panel Recommendation

The Panel recommended that Modification 0352 be implemented.