

Stage 04: Final Modification Report

0390:

Introduction of a Supply Point Offtake Rate Review and Monitoring Process.

What stage is this document in the process?

- 01 Proposal
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

Implementation of this modification would require Transporters and Shippers to review Supply Point Offtake Rates on an annual basis to ensure their continued validity. The modification would also require Shippers to ensure they have in place a process to monitor instances of a reduction in the maximum offtake rate and where necessary apply for a revised Supply Point Offtake Rate accordingly.



Panel recommended implementation



Medium Impact: Transporters, Shippers and End Consumers.

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About this document:

This document is a Final Modification Report, presented to the Panel on 19 January 2012.

The Authority will consider the Panel's Recommendation and decide whether or not this change should be made.



3 **Any questions?**

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1 Summary



Is this a Self-Governance Modification?

This is not a self-governance modification.

Why Change?

Concerns have been raised in relation to the current incentives in place to obligate Shippers to provide Supply Point Offtake Rates (SPORs) that are not overstated – i.e. in excess of actual or potential usage. Capacity charges are broadly independent of the contracted SPOR and so do not provide an incentive against overstatement.

SPOR values are one of the factors considered by DNOs for network planning purposes. Overstated SPORs may lead Transporters to incur unnecessary investment costs to meet apparent capacity requirements that are not, in reality, required.

Solution

This UNC Modification Proposal seeks to introduce new obligations on both Transporters and Shippers to review Supply Point Offtake Rates for Daily Metered Supply Points on an annual basis to ensure they accurately reflect end consumer capacity requirements.

This UNC Modification would also introduce obligations on Shippers to apply for a revised SPOR where they became aware that the maximum offtake rate at a Registered DM Supply Point Component may be or has been subject to any reduction and also to take all reasonable steps to ensure they become aware of any such reduction in the SPOR.

It is not the intention of this UNC Modification proposal to cause SPORs to fluctuate on an annual basis linked to actual usage, but to ensure the SPOR is an accurate reflection, year on year, of potential maximum hourly capacity requirements.

Impacts & Costs

The SPOR annual review process would place additional costs directly on Transporters and Shippers to ensure compliance with the additional obligations this modification would introduce.

There would be an additional cost in relation to the requirement placed upon Transporters to generate individual Shipper SPOR reports detailing contractual values against actual usage values.

Shippers would incur additional costs linked to the implementation of internal processes to review Transporter generated SPOR reports. However, in relation to ensuring Shippers becoming aware of reductions in the SPOR, the UNC already requires Shippers to ensure they have processes in place to monitor increases in the

URL Link to Ofgem decision letter on SGN's GDPCR Capex re-opener.

http://www.ofgem.gov.uk/Networks/GasDistr/GDPCR7-13/Documents1/SGN_LTS_Authority_Decision_letter.pdf

maximum offtake rate at DM Supply Points and therefore incorporating a SPOR reduction monitoring process may not introduce additional cost.

Consumers would incur additional costs in responding to issues raised regarding the level of SPORs. For some, this may potentially create a significant cost, for example if it involved on-site assessments of likely offtake rates.

Implementation

No specific implementation timescale is proposed.

The Case for Change

Implementation of this modification would help to ensure appropriate investment signals are received by the DNs. This would support DNO compliance with licence obligations in respect of efficient and economic network development

2 Why Change?

During the discussions held within the UNC Review Group 0329 (Review of Industry Charging and Contractual Arrangements - DM Supply Point Offtake Rates (shqs) and DM Supply Point Capacity (soqs)) SGN provided evidence which indicated that within the three Local Distribution Zones (Scotland, South East and Southern) operated by SGN there were a number of Daily Metered Supply Points which had either exceeded their contracted SPOR or had, over the previous gas year, used less than their contracted SPOR.

Gas Distribution Network Operators utilise Supply Point Offtake Rate information provided by gas Shippers to meet certain legislative requirements placed upon them to ensure the operation of a safe and economic gas transportation system. Requirements stipulated under the Gas Safety (Management) Regulations and reflected in transporters' safety cases set out arrangements for the minimisation of the risk of a gas supply emergency.

Network planning and analysis activities are a key element through which transporters demonstrate to Ofgem and the Health & Safety Executive (HSE) such arrangements to meet these regulatory legislative requirements. Network planning and analysis use complex modelling techniques to simulate the performance of the gas transportation networks and any alterations required to develop such networks. Gas transporters need to be able to demonstrate to both Ofgem and the HSE that the simulation models used in these processes are fully robust and can be fully relied upon to meet the requirements placed upon the gas network by Shippers and ultimately end users.

The SPOR is a key data element used in the construction and operation of network analysis models and the importance placed upon accurate SPORs is reflected in the recognition that DM Supply Points may place a non standard or disproportionate influence on the gas network compared to Non Daily Metered Supply points.

Where the SPOR provided via the Shipper is too high compared to the actual required offtake rate, this may result in:

- Sterilisation of network system capacity
- Unnecessary general network reinforcement resulting in unnecessary cost to the industry as a whole.
- Unnecessary specific network reinforcement resulting in unnecessary cost to the end consumer.

Where the SPOR provided via the Shipper is too low compared to the actual required offtake rate, this may result in:

- Security of supply issues due to the gas network not being able to cope with the demand placed upon it.
- Safety issues related to failure to supply risk for the wider network.

Current UNC requirements in relation to SPORs.

UNC TPD Section G 5.3 outlines the current obligations on Shippers to provide Supply Point Offtake Rates in relation to Daily Metered Supply Points. The SPOR is defined as the maximum instantaneous rate in kWh/hour that the User is permitted to offtake gas from the Total System at a DM Supply Point Component. Users are currently required to submit revised SPORs when they are:

1. submitting a Supply Point Nomination in respect of a Proposed Supply Point which includes a DM component;
2. when submitting a Capacity Revision Application (whether to increase or in the Capacity Reduction Period to reduce its Supply Point Capacity) in respect of a Registered DM Supply Point Component; and
3. whenever the User becomes aware that the maximum offtake rate at a Registered DM Supply Point Component may be or has been subject to any increase.

Users are also required, when applying for a revised SPOR, to estimate the maximum offtake rate, in good faith and after appropriate enquiries with the customer using reasonable skill and care. The estimate used in such application should not be less than nor substantially more than such estimate (UNC TPD Section G 5.3.3).

Shippers are further required to take all reasonable steps to secure that they become aware of increases in the maximum offtake rate before and (in any event) as soon as reasonably practical after such event has occurred.

It is clear from the current UNC obligations that decreases (as opposed to increases) in the maximum offtake rate at a Supply Point may occur without a direct requirement for the User to amend the SPOR or to take reasonable steps to ensure that they become aware of such reduction at a DM Supply Point. In order to ensure SPOR decreases are reflected against a User's Registered DM Supply Point Component this UNC Modification Proposal looks to amend the current provisions within UNC TPD Section G 5.3 to ensure SPOR reductions are treated in the same manner as SPOR increases.

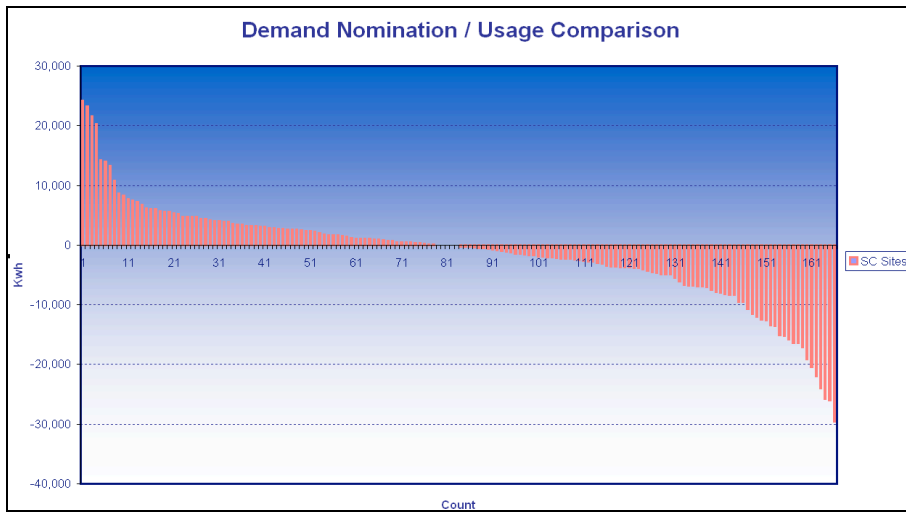
There are currently no obligations specified within the UNC which require Transporters to review SPORs in conjunction with Shippers to ensure the contracted SPOR figure is reflective of actual required hourly consumption at a DM Supply Point. Transporters currently have access (as do Shippers for their Registered DM Supply Points) to DM Supply Point hourly consumption for DM Supply Points located within their respective footprints. Analysis of this DM hourly consumption by SGN has indicated that actual hourly consumption may differ from the SPOR as registered against the Supply Point in the Sites and Meters database to the extent that SPORs may be significantly greater than or less than such registered SPOR value.

To ensure that Transporters are in possession of accurate registered contractual SPOR information (which can be reflected within network analysis models for the purposes developing the gas network) the solution detailed within this Modification Proposal would require Transporters and Shippers to review, on an annual basis, actual hourly consumption associated with DM Supply Points against the Supply Point Offtake Rate registered by the User under the provisions detailed in Section G.

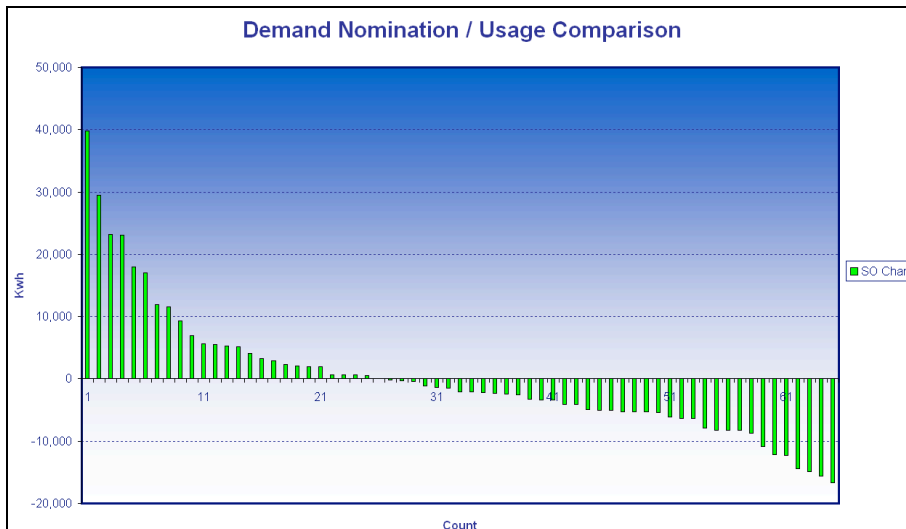
Registered Supply Point Offtake Rate Information.

The graphs detailed below indicate actual consumption at DM Supply Points within SGN's respective LDZs compared to the registered Supply Point Offtake Rate.

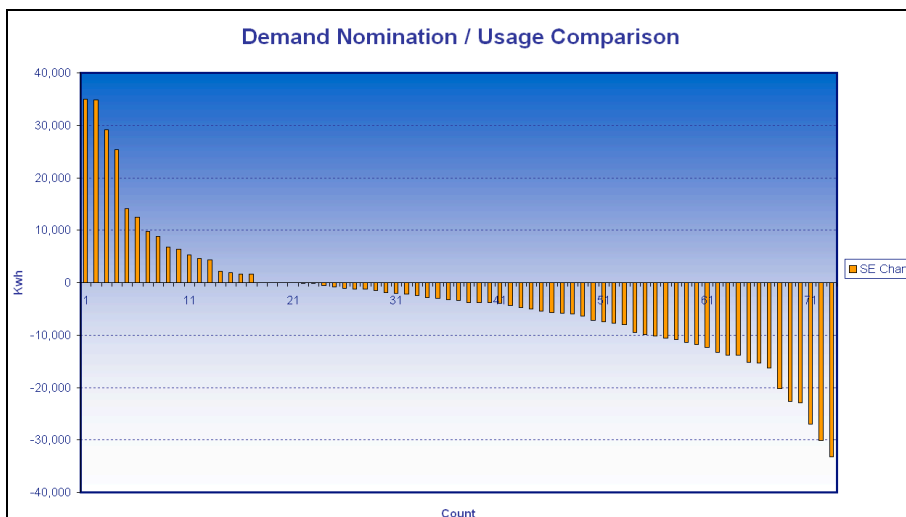
1. Scotland LDZ:



2. Southern LDZ:



3. South Eastern LDZ:



3 Solution

This UNC Modification proposes two complementary solutions to the issue identified relating to the provision of accurate and usage reflective SPOR information at Daily Metered Supply Points by Users.

Proposed revised UNC Obligation obligations.

Part 1:

The first part of the solution focuses on the revision of existing Supply Point Offtake Rates at DM Supply Points by extending the existing provisions specified in UNC TPD Section G 5.3.2 to obligate Shipper Users to apply for a revised SPOR where the User becomes aware of a decrease in the required maximum offtake rate. Current provisions also detail in UNC TPD Section G 5.3.4 a requirement on Users to monitor increases in the maximum offtake rate as a result of any changes in the size or nature of an end Consumer's Plant or the use of such Plant as soon as reasonably practicable after such increase occurs. This would be extended to include any decreases in the SPOR at a registered DM Supply Point.

Part 2:

The second part of the solution would introduce an additional obligation on Transporters and Shippers to review, on an annual basis, actual hourly consumption at DM Supply Points and compare such actual consumption data against a User's registered Supply Point Offtake Rate at the relevant DM Supply Point. Such a review would be facilitated via a report produced by Transporters which would detail the highest and lowest actual hourly consumption recorded at Supply Meter Points contained within a DM Supply Point Component throughout the previous winter period. The report would also detail the current registered Supply Point Offtake Rate provided by the relevant registered User of the DM Supply Point and the difference between this figure and the highest recorded actual hourly consumption. Where the Transporter considers that the registered SPOR differs significantly, either to the extent that it is significantly less than or significantly more than the highest actual hourly consumption at the DM Supply Point, the Transporter will indicate on the report to Users such a difference. It is recognised that spikes in hourly consumption may not necessarily be representative of normal operating conditions or requirements at a Supply Point and may, for example, be indicative of ad-hoc testing schedules for consumer's plant. Such information may be taken into consideration by the Transporters where this is made known by the User. However it should still be recognised that the SPOR is defined as the maximum instantaneous rate in kWh/hour that the User is permitted to offtake gas from the Total System.

The registered User at the relevant DM Supply Point, once in possession of the report, would discuss with the relevant end Consumer at the DM Supply Point the information provided within the report relating to the actual consumption recorded compared to the registered SPOR. Where it is determined by the registered User after such discussion that the SPOR requires to be revised to reflect required actual consumption,

the registered User will apply for a revised Supply Point Offtake Rate accordingly. If the registered User determines after such discussion with the end Consumer that it would not be appropriate to amend the SPOR in line with the information provided on the Transporter SPOR report or not to amend the SPOR in any event, then the User would be obliged to provide a suitable response specifying the reason or reasons to the Transporter why the SPOR would remain static.

Detailed business rules in relation to Part 2 of the proposal.

1. Transporters will derive a "SPOR" report on an annual basis.
2. The report will be compiled in April of each year by the Transporter after the current Gas Year's winter.
3. The report will be provided to the relevant Shipper by the Transporter by the end of April each year.
4. The report will specify, per DM Supply Point (where the data is available and the Transporter considers that the difference between SPOR and the highest recorded hourly actual consumption rate is material to the operation to the gas network):
 - The current registered Supply Point Offtake Rate (kWh / hour).
 - The highest hourly consumption value in kWh/hour recorded by the Transporters' relevant Daily Metered Service Provider throughout the current gas year's winter.
 - Information required to identify the specific DM Supply Point (mprn, supply point id and address).
 - Any further detail relating to the DM Supply Point the Transporter considers it would be appropriate to provide (and is permitted to provide) to assist the User during the review.
5. On a receipt of the report, Shippers shall enter into discussions with their end consumers or their representatives to discuss amending the SPOR based on the information provided by the Transporters in the SPOR report.
6. Shippers will provide a report (the Shipper SPOR report) to the Transporters within 3 calendar months in response to the Transporter SPOR report specifying the following:
 - For each DM Supply Point specified on the Transporter SPOR report; a planned revised SPOR for each DM Supply Point.
 - Where the planned revised SPOR differs from the highest actual hourly consumption, the Shipper shall provide a reason for such deviation.
 - Where the Shipper does not plan to submit a revised SPOR in any event, the Shipper shall provide information to the Transporter setting out detailed reasons for this decision.

7. Where the Shipper has identified that a revised SPOR is required the Shipper shall apply for a revised SPOR utilising the existing Capacity Revision Application process in line with the planned revised SPOR.
8. The Shipper will where applicable apply for a revised SPOR (by submitting a Capacity Revision Application) prior to the end of August in the current gas year. Where a reduction in the SPOR will require a reduction in the Supply Point Capacity the Capacity Reduction Period parameters will still apply, albeit the associated Capacity Revision Application should be submitted by the end of January in the following Gas Year.
9. The existing provisions detailed in UNC TPD Section G 5 relating to a Capacity Revision Application, Capacity Reduction Period and the Absolute Requirement (as specified in UNC TPD Section G 5.4) will remain unchanged.
10. For the avoidance of doubt NTS Supply Point Components are excluded from all provisions which would be introduced by the implementation of this UNC Modification Proposal.

4 Relevant Objectives

Implementation will better facilitate the achievement of **Relevant Objectives a, c and f.**

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.	No
c) Efficient discharge of the licensee's obligations.	Yes
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

Better facilitates Relevant Objective (a) Efficient and economic operation of the pipe-line system.

Reduced SPORs may result in the option for Transporters to reduce gas network operating pressures. This may facilitate reduced shrinkage volumes, thereby facilitating more economic operation of the pipeline system.

Understated SPORs may result in the gas network being designed and planned to provide capacity that is insufficient to meet Users' actual requirements. Where such situations occur an adverse situation may arise on the gas network requiring a reactionary response from the Transporter that may result in system operation costs not otherwise required were accurate information to be provided initially.

Better facilitates Relevant Objective (c) Efficient discharge of the licensee's obligations.

There are several references to the efficient and economic development of the relevant pipe-line system throughout the Transporters' licences. Provision of more accurate information by Shippers to Transporters relating to operational capacity requirements would facilitate efficient discharge of the relevant licence conditions.

Implementation of this modification would provide a process to facilitate the provision of more accurate, actual or intended usage reflective, SPORs by Users. This would enable Transporters to effectively plan the development of the distribution network system on a more efficient and economic basis. By avoiding investment in the system to meet overstated SPORs the Transporters would be utilising capital investment in a more efficient and economic manner. Also, by facilitating a reduction in SPORs, where capacity is not required, the Transporters would be able to make available such capacity to other Users thus utilising existing capacity more effectively and avoiding capacity sterilisation.

More accurate capacity requirements communicated by Users to the DNs could result in more accurate and reflective NTS Exit capacity requirements. Accurate NTS Exit Capacity requirements would allow National Grid NTS to plan their pipeline system in a more efficient and economic manner and so better meet their licence obligations in this respect.

Better facilitates Relevant Objective (f) Promotion of efficiency in the implementation and administration of the Code.

The evidence presented by SGN indicates that, notwithstanding the existing UNC obligations, some SPORs may be understated. Introducing the proposed reports with respect to understated SPORs could therefore promote efficiency in the implementation of existing obligations. This could include improved consumer understanding and potentially a greater willingness to release capacity, for the benefit of all network users.

5 Impacts and Costs

Consideration of Wider Industry Impacts

None identified.

Costs

Indicative industry costs – User Pays	
Classification of the Proposal as User Pays or not and justification for classification	
Not User Pays. Implementation may increase direct costs to Transporters in relation to the provision of new reports and analysis of SPOR information. However, the modification does not envisage any new services or costs which would be attributable to the Transporters' Agency.	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
N/A	
Proposed charge(s) for application of Users Pays charges to Shippers	
N/A	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve	
N/A	

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	• No
Operational Processes	• Yes
User Pays implications	• No

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	• Yes
Development, capital and operating costs	• Yes
Contractual risks	• No
Legislative, regulatory and contractual obligations and relationships	• Yes

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	• Yes
Development, capital and operating costs	• Yes
Recovery of costs	• No
Price regulation	• No
Contractual risks	• Yes
Legislative, regulatory and contractual obligations and relationships	• Yes
Standards of service	• No

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	• No
UNC Committees	• No
General administration	• Yes

Impact on Code	
Code section	Potential impact
UNC TPD Section G 5	Yes – see legal text.

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)	Yes. Where a NExA exists the agreement would need to reflect the change in SPOR / SPC.
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

Impact on UNC Related Documents and Other Referenced Documents	
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

No specific implementation timescale is proposed.

7 The Case for Change

In addition to that identified the above, the Workgroup identified that implementation could provide a basis for an enhanced Transporter to Shipper/end consumer operational relationship, providing a conduit for increased dialogue and discussion on the subject of capacity requirements and other operational matters.

8 Legal Text

Text provided by Scotia Gas Networks

The TPD Section G part of the legal text provided for this modification has been published as a separate document (due to its size) at:

www.gasgovernance.co.uk/0390

National Grid Distribution highlight within their representation a required amendment to Section G5.1.5 in that the reference should be to paragraph 5.1.4(d).

National Grid NTS also identified within their representation an amendment is required to the Transitional Rules Section 11.4.6 as shown below:

UNIFORM NETWORK CODE - TRANSITION DOCUMENT

PART IIC – TRANSITIONAL RULES

11 TRANSITIONAL NTS EXIT CAPACITY REGIME: TPD MISCELLANEOUS

11.1 Introduction

11.1.1 During the exit capacity transitional period the provisions of this paragraph 11 shall apply.

11.2 TPD Section A: System Classification

11.2.1 An NTS Supply Point may be an Interruptible Supply Point or a Firm Supply Point.

11.3 TPD Section B: System Use and Capacity

11.3.1 Supply Point Capacity is capacity which the User is treated as utilising in offtaking gas from the Total System at any Supply Point Component.

11.3.2 Where a System Point is both an NTS Exit Point and a Supply Point Component, the provisions of both paragraph 9 as to the holding of NTS Exit Capacity and TPD Section B4 as to the holding of Supply Point Capacity are applicable (and a gas flow at such point shall be treated both as a gas flow out of the NTS and an offtake from the Total System).

11.3.3 In TPD Section B1.8.5(d) and B1.8.6 the references to paragraph 3.12.5 and 3.12.8 shall be treated as a references to paragraph 9.5.3 and 9.5.5(a) respectively.

11.3.4 For the purposes of TPD Section B1.9.3 the relevant DN Operator will hold NTS Offtake Capacity at the Scottish Independent Network NTS Exit Point.

11.3.5 In TPD Section B1.9.3(d) the reference to paragraph 3.13 shall be treated as a reference to paragraph 10.5.

11.3.6 In the circumstances in TPD Section B1.11(a) the Transporter will in addition redetermine the Supply Point Ratchet Charge for a NTS Supply Point.

11.3.7 References to Users in TPD Section B4 exclude DNO Users.

11.3.8 Subject to the provisions of the Code a Shipper User may offtake gas from the Total System at a Registered NTS Supply Point Component.

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11.3.9 A User shall pay Customer Charges in respect of its Registered NTS Supply Points.

11.3.10 In TPD Sections B4.7.4 and 4.7.6 the references to LDZ Capacity Charges apply only in the case of LDZ Supply Point Components.

11.3.11 TPD Section B4.7.5 is only relevant in the context of an LDZ Supply Point Component.

11.3.12 In the context of a System Capacity Transfer (except as provided for under paragraph 8.3.4):

- (a) for the purposes of paragraph 9 and TPD Section B5 a User may only transfer all or part of its Available NTS Exit Capacity in respect of an NTS CSEP booked in accordance with the relevant CSEP Ancillary Agreement or in accordance with paragraph 9.2 to another User in accordance with TPD Section B5 (and accordingly a NTS CSEP may be a Transfer System Point);
- (b) TPD Sections B5.1.4(b), 5.2.5, 5.4.1(a)(ii), 5.4.2(d), 5.5.1(b)(ii) and B6 shall not apply.

11.3.13 In TPD Section B5.5.2(b) the reference to paragraph 3.13.1(a) shall be treated as a reference to paragraph 9.6.2(a).

11.3.14 If:

- (a) National Grid NTS purports to reject a System Capacity Transfer other than in accordance with TPD Section B5.2.3(a), (b) and (c); and
- (b) reasonably promptly thereafter the Transferor User and the Transferee User so notify National Grid NTS, stating that they wish the transfer to be implemented

the Transferee User shall not be liable for any Overrun Charge which it would not have incurred had the System Capacity Transfer been approved (and where any such Overrun Charge has been invoiced and/or paid, appropriate invoice adjustments will be made in accordance with TPD Section S).

11.3.15 TPD Section B5.6.2(c) shall be deemed to include a reference to paragraph 11.3.13.

11.4 TPD Section G: Supply Points

11.4.1 In TPD Section G1.7.7(a), 1.7.14, 2.3.1(a), 2.3.1(c)(i)(1), 2.3.1(c)(ii)(1), 2.3.2(e), 2.4.2(e), 2.4.3, 2.4.5, 2.4.10(b), 2.5.4, 2.7.3, 2.7.4, 7.4.3 and 7.4.4 a reference to an LDZ Supply Point shall be treated as including a reference to an NTS Supply Point.

11.4.2 In TPD Section G2.2.6 the reference to TPD Section B3.5.5 shall be treated as a reference to paragraph 9.5.5.

11.4.3 For the purposes of TPD Section G2.4.2(d)(ii) where the Proposed Supply Point is an NTS Supply Point the Supply Point Offer will specify the NTS Exit Capacity.

11.4.4 For the purposes of TPD Section G2.5.3(b)(ii) where the Proposed Supply Point is an NTS Supply Point the User also agrees to be registered as holding NTS Exit Capacity determined in accordance with TPD Section H4.

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- 11.4.5 For the purposes of TPD Section G3.2.2 where the Supply Point Withdrawal relates to an NTS Supply Point the Supply Point Transportation Charges payable shall in addition be determined by reference to the NTS Exit Capacity held by the User immediately before submission of the Supply Point Withdrawal.
- 11.4.6 TPD Section G5 (other than TPD Section G5.6 and G5.7 in their entirety and G5.3.2 (c) G5.3.4 to the extent that it relates to decreases to the maximum offtake rate) shall apply in respect of an NTS Supply Point Component.
- 11.4.7 In TPD Section G7.3.6(a)(ii) and 7.4.1(b)(i) a reference to a DM Supply Point Component shall be treated as including a DM Supply Point Component comprised in an NTS Supply Point.

11.5 TPD Section H: Demand Estimation and Demand Forecasting

- 11.5.1 For the purposes of TPD Section H1.1.1 demand will also be estimated to determine NTS Exit Capacity under paragraph 9.
- 11.5.2 The NTS Exit Capacity which a User is registered as holding at or (as the case may be) in respect of an NDM Supply Point Component on any Day in a Gas Year will be equal to the Supply Point Capacity determined in accordance with TPD Section H4.1.
- 11.5.3 Subject to paragraph 11.5.7(a), the Transporters shall, acting as a Reasonable and Prudent Operator, procure the development by a reputable meteorological services company of a methodology suitable for the adjustment, for the purposes of Composite Weather Variables, of historical data in relation to wind speeds and temperatures at weather stations which cease operation and are replaced by other weather stations (in suitable locations) for the purposes of such formula (“the **Weather Station Substitution Methodology**”).
- 11.5.4 Section H1.4.4 shall not come into effect until such time (if any) as the Weather Station Substitution Methodology has been approved by the Demand Estimation Sub-Committee as referred to in paragraph 11.5.7(b) and shall apply only in relation to weather stations which cease operation after 1 November 2011.
- 11.5.5 Subject to paragraph 11.5.7(a) following the approval of the Weather Station Substitution Methodology by the Demand Estimation Sub-Committee as referred to in paragraph 11.5.7(b), the Transporters shall, acting as a Reasonable and Prudent Operator, procure the development, by a reputable meteorological services company, of a methodology suitable for use in adjusting historical data in relation to wind speeds and temperatures at weather stations so that Composite Weather Variables (assuming the Composite Weather Variables were determined taking into account the Weather Station Substitution Methodology) take into account climate change trends (the “**Climate Change Methodology**”).
- 11.5.6 Section H1.4.5 shall not come into effect until such time (if any) as the Weather Station Substitution Methodology and Climate Change Methodology have been approved by the Demand Estimation Sub-Committee as referred to in paragraph 11.5.7(b).
- 11.5.7 The Transporters shall not:
- (a) invite tenders for the development of the Weather Station Substitution Methodology or the Climate Change Methodology without the prior

approval by the Demand Estimation Sub-Committee (on a simple majority vote of the members of such Sub-Committee present at the relevant meeting of the Sub-Committee) of the scope of work specified in the relevant invitation to tender; or

- (b) revise the formula by which the Composite Weather Variable for any LDZ is determined so as to incorporate either the Weather Station Substitution Methodology or the Climate Change Methodology without the approval of the relevant methodology by the Demand Estimation Sub-Committee (on a simple majority vote of the members of such Sub-Committee present at the relevant meeting of the Sub-Committee).

11.5.8 Nothing in paragraphs 11.5.3 and 11.5.5 shall oblige the Transporters to apply the Weather Station Substitution Methodology or Climate Change Methodology so as to revise any Composite Weather Variable.

11.6 TPD Section J: Assured Offtake Pressure

11.6.1 The reference to the Offtake Pressure Statement in TPD Section J2.5.1(b) shall be treated for each Gas Year up to and including the Gas Year ending 30 September 2012 as a reference to the Offtake Capacity Statement issued in accordance with paragraph 10.2.1.

11.6.2 TPD Sections J2.5.2 to 2.5.13 (inclusive) shall not apply.

11.6.3 In accordance with paragraph 10.2.4, the 0600 and 2200 pressures specified (in relation to any NTS/LDZ Offtake) for any Gas Year in the Offtake Capacity Statement issued in any Gas Year will be the same as those specified in the preceding year's statement for such Gas Year, subject to any revision pursuant to paragraph 11.6.6.

11.6.4 For the purposes of paragraph 10.3, in connection with an application for an amount or an increase in NTS Offtake Capacity, National Grid NTS will not determine that it is feasible to make gas available for offtake on the basis of such increase to the extent that the 0600 and 2200 pressures at which it expects that, under normal NTS operating conditions, gas would (if such application were accepted) be available for offtake at the NTS/LDZ Offtake on any Day during any relevant Gas Year would be reduced below the prevailing Assured Offtake Pressures.

11.6.5 A DNO User may, at the times at which it may apply (in accordance with paragraph 10.3.2) for:

- (a) an increase in NTS Offtake Capacity, apply to increase the Assured Offtake Pressures in relation to an NTS/LDZ Offtake for a relevant Gas Year;
- (b) an amount of NTS Offtake Capacity, apply for the Assured Offtake Pressures in relation to an NTS/LDZ Offtake for a relevant Gas Year.

11.6.6 Subject to paragraph 11.6.8, National Grid NTS may reject, or accept in part only, any application for, or an increase in, Assured Offtake Pressures in respect of an NTS/LDZ Offtake in a Gas Year where, or (as the case may be) to the extent that, National Grid NTS determines (having regard, inter alia, to the amounts of NTS Offtake Capacity and NTS Exit Capacity held by Users) it would not be possible (under all credible NTS operating conditions) to make

gas available for offtake at the NTS/LDZ Offtake on any Day during that Gas Year at the increased Assured Offtake Pressures applied for.

- 11.6.7 For the purposes of paragraph 11.6.6, the reference to all credible NTS operating conditions is to all conditions other than a condition the existence of which would amount to Force Majeure affecting National Grid NTS.
- 11.6.8 For the purposes of paragraph 11.6.6, where a DNO User has applied for Assured Offtake Pressures at an NTS/LDZ Offtake for a relevant Gas Year in accordance with paragraph 11.6.5(b), then where the Assured Offtake Pressures specified in the Offtake Capacity Statement for the preceding year are:
- (a) greater than or equal to the Assured Offtake Pressures applied for, such application will be accepted; or
 - (b) less than the Assured Offtake Pressures applied for, the Assured Offtake Pressures accepted will be not less than the values specified in the Offtake Capacity Statement for such preceding year.

11.7 TPD Section J: Gas not made available for offtake

- 11.7.1 TPD Section J3.5.1(a) shall apply in respect of both an LDZ System Exit Point and an NTS System Exit Point.
- 11.7.2 TPD Section J3.5.3 shall apply to a Supply Point Component in both an NTS Supply Point and an LDZ Supply Point.
- 11.7.3 In TPD Section J3.5.3(a) the value 'P' is the sum of the Applicable Daily Rates of:
- (a) the Capacity Variable Component of the Customer Charge;
 - (b) in the case of an LDZ Supply Point, the LDZ Capacity Charge; and
 - (c) the applicable NTS Exit Capacity Charge.
- 11.7.4 TPD Section J3.5.5 shall apply in respect of both an LDZ Connected System Exit Point and an NTS Connected System Exit Point.
- 11.7.5 For the purposes of TPD Section J3.5.6 in respect of an NTS Connected System Exit Point a CSEP User's "**Relevant Exit Capacity**" shall be its Available NTS Capacity at the Connected System Exit Point.
- 11.7.6 TPD Section J3.5.7 shall not apply.
- 11.7.7 TPD Section J3.5.11 shall not apply to a dispute in relation to an NTS Exit Point.

11.8 TPD Section J: User offtake obligations: DM Supply Point Components

- 11.8.1 TPD Section J3.8 shall apply in respect of a DM Supply Point Component comprised in an NTS Supply Point and in an LDZ Supply Point.

11.9 TPD Section J: User offtake obligations: CSEPs, NTS Exit Points and Inter-System Offtakes

- 11.9.1 TPD Section J3.9 shall apply in respect of an NTS Connected System Exit Point and an LDZ Connected System Exit Point.
- 11.9.2 The Transporter will not be obliged under any provision of the Code to make gas available for offtake from the Total System at an NTS Connected System

Exit Point by a CSEP User, on any Day, in a quantity which exceeds the User's Available NTS Exit Capacity.

- 11.9.3 TPD Sections J3.10.1(a) and 3.10.2(b) shall not apply and in TPD Section J3.10.2(a) the reference to NTS Exit (Flat) Capacity and to NTS Exit (Flexibility) Capacity shall be treated as a reference to NTS Offtake (Flat) Capacity and to NTS Offtake (Flexibility) Capacity.
- 11.9.4 TPD Sections J3.10.5 and 3.10.6 shall not apply and the upstream Transporter will not be obliged under any provision of the Code to make gas available for offtake from the upstream System by a User:
- (a) at an NTS/LDZ Offtake:
 - (i) at any time, at a rate which exceeds the maximum permitted rate (in accordance with TPD Section J3.10.2(a));
 - (ii) on any Day, in a quantity which exceeds the User's NTS Offtake (Flat) Capacity; or
 - (iii) in the period between 06:00 hours and 22:00 hours on any Day, in a quantity which exceeds $(NOFC + 16/24 * QD)$ (as those terms are defined in paragraph 10.5);
 - (b) at an LDZ/LDZ Offtake:
 - (i) at any time, at a rate which exceeds the maximum permitted rate (in accordance with TPD Section J3.10.3);
 - (ii) on any Day, in a quantity which exceeds the maximum permitted quantity in accordance with the Network Exit Provisions.

11.10 TPD Section J: NTS Exit Capacity at relevant NTS Connected System Exit Points

- 11.10.1 TPD Section J6.7.1 is subject to paragraph 11.10.5.
- 11.10.2 Without prejudice to any provisions for allocation of NTS Exit Capacity contained in the CSEP Network Exit Agreement or any CSEP Ancillary Agreement, or the further provisions of this paragraph 11.10 and TPD Section J6.7, National Grid NTS shall be entitled to reject any application for (or for an increase in) NTS Exit Capacity at a relevant NTS Connected System Exit Point where the requirement in TPD Section J6.7.1 would be infringed if it accepted such application.
- 11.10.3 National Grid NTS may agree, pursuant to the CSEP Network Exit Agreement or CSEP Ancillary Agreement, and subject to any conditions contained in such Agreement, that, with effect from the expiry of the capacity period (as defined in such Agreement) in respect of any prevailing registration in the name of any User of NTS Exit Capacity at an NTS Connected System Exit Point, the User shall be entitled to apply for and may be registered (in priority to any other User) as holding NTS Exit Capacity in an amount subject to such prevailing registration.
- 11.10.4 Unless National Grid NTS shall otherwise agree, any application by a User for NTS Exit Capacity at a relevant NTS Connected System Exit Point shall be made by way of Conventional Notice; and any registration of NTS Exit Capacity at a relevant NTS Connected System Exit Point in respect of which

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this paragraph 11.10.4 is not complied with shall be invalid and ineffective notwithstanding such registration may be recorded in UK Link and notwithstanding National Grid NTS may have invoiced NTS Exit Capacity Charges pursuant to such registration.

11.10.5 National Grid NTS may agree pursuant to a CSEP Network Exit Agreement or a CSEP Ancillary Agreement, upon such terms and subject to such conditions as may be provided in such Agreement, that:

- (a) a relevant NTS Connected System Exit Point may be treated, pursuant to TPD Section A3.5.5, as comprising two separate Connected System Exit Points (respectively a "**Firm CSEP**" and an "**Interruptible CSEP**") for the purposes described in this paragraph 11.10.5 and such other purposes as may be specified in such Agreement;
- (b) a CSEP User may apply for and hold NTS Exit Capacity at the Interruptible CSEP the basis that National Grid NTS shall be entitled to require the User to reduce or discontinue the offtake of gas from the Total System at the Connected System Exit Point:
 - (i) where it would not otherwise be feasible for National Grid NTS to make available gas for offtake from the Total System by CSEP Users at the Firm CSEP pursuant to the exercise of their entitlements so to offtake gas;
 - (ii) in any such other circumstances as may be provided in such Agreement; and
- (c) a CSEP User will not be liable to pay NTS Exit Capacity Charges, or will be liable to pay such charges only at a reduced rate, in respect of NTS Exit Capacity held (in accordance with paragraph (b)) at the Interruptible CSEP

and in such a case the Firm CSEP, but not the Interruptible CSEP, shall be a relevant Connected System Exit Point for the purposes of TPD Section J6.7.1.

11.11 TPD Section J: Inter-System Offtakes: Special Provisions

11.11.1 In addition to the requirements in TPD Section J4.5, an Offtake Profile Notice submitted in relation to an NTS/LDZ Offtake must satisfy the requirement in paragraph 11.11.2.

11.11.2 The requirement is that the offtake of gas (at the NTS/LDZ Offtake) from the NTS at the rates of offtake specified in the Offtake Profile Notice would not result in an NTS Offtake (Flat) Overrun or an NTS Offtake (Flexibility) Overrun.

11.11.3 In TPD Section J7.3 and 7.4 references to NTS Exit (Flat) Capacity and NTS Exit (Flexibility) Capacity shall be treated as a reference to NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity and in TPD Section J7.3.1(c) the reference to TPD Section B3.13.4 shall have no effect.

11.11.4 TPD Section J7.4 shall only apply in respect of a DNO Operator in relation to an NTS/LDZ Offtake (after taking account of any request under TPD Section J7.3.1) and for which purposes the DNO Operator shall be liable to National Grid NTS for all amounts National Grid NTS was liable to any Shipper User or other DNO User as a consequence of the upstream Transporter's failure to make gas available for offtake.

11.11.5 In TPD Section J7.4 references to a Chargeable NTS Exit (Flat) Overrun shall be treated as a reference to an NTS Offtake (Flat) Overrun and references to an NTS Exit (Flex) Overrun shall be treated as a reference to an NTS Offtake (Flex) Overrun.

11.11.6 TPD Section J7.4.3 shall have no effect.

11.12 TPD Section J: NTS CSEPs

11.12.1 TPD Section J8 shall not apply.

11.13 TPD Section Q: Emergencies

11.13.1 TPD Section Q4.1(a)(iii) shall not apply.

11.14 TPD Section R: NTS Exit Capacity

11.14.1 If, upon the application of a User, National Grid NTS has informed the User that a Storage Connection Point is 'eligible for firm transportation' for the purposes of this paragraph 11.14, the User may elect to hold (and pay NTS Exit Capacity Charges in respect of) NTS Exit Capacity at the Storage Connection Point.

11.14.2 For the purposes of paragraphs 11.14 to 11.18 (inclusive), in relation to a Storage Connection Point:

- (a) a **"Firm User"** is a User who holds Available NTS Exit Capacity at that point (pursuant to an election by that or another User under paragraph 11.14.1);
- (b) the **"Aggregate Firm Offtake Rate"** is the rate of offtake determined as 1/24 of the aggregate amount (if any) of the NTS Exit Capacity for the time being held by Firm Users at that point;
- (c) a User's **"Interruptible UDQO"** for a Day in relation to that point is:
 - (i) subject to paragraph (ii), that User's UDQO;
 - (ii) in the case of a Firm User, the amount (if any) by which its UDQO exceeds the amount of its Available NTS Exit Capacity at the point.

11.15 TPD Section R: Interruption

11.15.1 The Transporter shall be entitled to require interruption (including a reduction in the rate) of the offtake (in aggregate by all Users) of gas from the Total System at a Storage Connection Point, by giving notice ("**SCP Interruption Notice**") to the Storage Operator and each Storage CSEP User, specifying:

- (a) the time ("**interruption time**"), not being less than 5 hours after such notice was given, with effect from which such offtake of gas is to be interrupted; and
- (b) the reduced aggregate rate (or discontinuance) of offtake required by such interruption; provided that such rate shall not be less than the Aggregate Firm Offtake Rate.

11.15.2 Paragraphs 5.6.3 (other than 5.6.3(b)) and 5.7.4 shall apply in respect of interruption under paragraph 11.15.1 at a Storage Connection Point.

- 11.15.3 Storage CSEP Users shall secure compliance with any SCP Interruption Notice and shall be responsible for submitting Output Renominations accordingly.
- 11.15.4 The Transporter may (but shall not be required to) agree pursuant to the Storage Connection Agreement that the Storage Operator will take such steps as are necessary to interrupt or reduce the rate of offtake of gas at the Storage Connection Point so as to comply with an SCP Interruption Notice.
- 11.15.5 Where the Transporter has given an SCP Interruption Notice, as soon as reasonably possible after the Transporter determines that the requirement for interruption no longer applies or will at a certain time cease to apply, the Transporter will so notify the Storage Operator and Storage CSEP Users specifying the time at which the requirement for such interruption will no longer apply.

11.16 TPD Section R: Days of Interruption

- 11.16.1 The number of Days on which the Transporter requires interruption at a Storage Connection Point shall be determined in accordance with paragraph 5.7.5.
- 11.16.2 For the purposes of paragraphs 11.14 to 11.18 (inclusive), paragraph 5.5 (other than paragraphs 5.5.6 and 5.5.8) shall apply.
- 11.16.3 The Transporter will not require interruption at a Storage Connection Point on more than 15 Days outside the Winter Period in any Gas Year.

11.17 TPD Section R: Failure to Interrupt

- 11.17.1 Paragraph 5.5 (other than paragraph 5.5.6) shall apply for the purposes of this paragraph 11.17, subject as follows.
- 11.17.2 For the purposes of paragraph 5.9.2(b)(i), in the context of interruption required at a Storage Connection Point, the amount payable by Storage CSEP Users in aggregate shall be calculated:
- (a) by reference to the basis of the Applicable Annual Rate of NTS Exit Capacity Charge for the Exit Zone in which the Storage Connection Point is located; and
 - (b) on the basis of a notional Supply Point Capacity calculated as the difference between the rate (in MW) of offtake of gas at the Storage Connection Point immediately before the interruption time, and the reduced rate (including zero, subject to the proviso to paragraph 11.15.1(b)) of offtake (in MW) required by such interruption, multiplied by the period (in hours, divided by 24) from the interruption time until the end of the Gas Flow Day.
- 11.17.3 For the purposes of paragraph 5.9.2(b)(ii), in the context of interruption required at a Storage Connection Point, the term 'Y' shall be the aggregate quantity of gas offtaken, at times when the SCP Interruption Notice was in force, at a rate in excess of the reduced rate (including zero, subject to the proviso to paragraph 11.15.1(b)) of offtake (in MW) required by such interruption.
- 11.17.4 Paragraph 5.9.8 shall not apply, but the Storage Connection Point shall be counted as a Registered Interruptible Supply Point for the purposes of the further application of paragraph 5.9.7.

11.17.5 Subject to paragraph 11.17.6, in relation to a Storage Connection Point, Storage CSEP Users (including the Storage Operator) shall be liable for the aggregate amounts payable pursuant to paragraph 11.17.1 in respect of a Day in the proportions of their respective Interruptible UDQOs in respect of the Storage Connection Point.

11.17.6 Where Storage CSEP Users have appointed a User Agent for the purposes of determining the allocation of such amounts:

- (a) the Transporter will notify to such agent the aggregate amounts payable pursuant to paragraph 11.17.1 not later than 6 Days after the Gas Flow Day;
- (b) where the agent notifies the Transporter, not later than the Exit Close-out Date, an allocation of such amounts (in aggregate equal to the aggregate amount notified by the Transporter under paragraph (a)) between particular Storage CSEP Users specified by the agent, paragraph 11.17.5 shall not apply, and Storage CSEP Users will be liable for such amounts in accordance with the agent's notification to the Transporter.

11.18 TPD Section R: Interpretation

11.18.1 In paragraphs 11.14 to 11.18 (inclusive) "**Storage CSEP User**" means a CSEP User in respect of a Storage Connection Point.

11.18.2 Where any provision of paragraph 5 is to apply for the purposes of paragraphs 11.14 to 11.18 (inclusive), such references in paragraph 5 to the terms in the first column in the table below shall be construed as references to the terms (as used in relation to a particular Storage Connection Point in paragraphs 11.14 to 11.18 (inclusive)) in the second such column:

TD Part IIC, paragraph 5	Paragraphs 11.14 to 11.18 (inclusive)
Interruption	Interruption under paragraph 11.15
Interruption Notice	SCP Interruption Notice
Supply Point or Interruptible Supply Point	Storage Connection Point
Supply Meter Point	Any Individual System Exit Point comprised in the Storage Connection Point
User or Registered User	All of the Storage CSEP Users, or where the context admits, a particular Storage CSEP User
The requirement in paragraph 5.7.2(b)	The requirement for interruption under paragraph 11.15
TNI Supply Point	A Storage Connection Point subject to a designation by the Transporter pursuant to paragraph 5.5.1

11.19 TPD Section S: Invoicing and Payment

11.19.1 The Invoice Items appearing on an NTS Exit Capacity Invoice shall include (and be limited to) NTS Exit Capacity Charges – DM NTS Exit Capacity, NTS Exit Capacity Charges – NDM NTS Exit Capacity and NTS Exit Overrun Charges.

11.20 TPD Section U: UK Link

11.20.1 In TPD Section U references to Users shall exclude DNO Users other than a DNO User in the capacity of an LDZ Shrinkage Provider.

11.21 TPD Section V: General

11.21.1 In TPD Section V3 and V4 references to Users exclude DNO Users.

11.21.2 TPD Sections V3.3.2(c)(ii) and 3.3.4 shall not apply.

11.22 National Grid NTS Interruption of Injection

11.22.1 In respect of a National Grid LNG Storage Facility, where National Grid NTS notified National Grid LNG Storage that it requires the interruption of the offtake of gas at a Storage Connection Point pursuant to Section R3.2, National Grid LNG Storage may in respect of the Day in relation to which National Grid NTS so notified National Grid LNG Storage cancel injection or reduce the quantities injected by Users to such facility for the purposes of avoiding or limiting a Transportation Constraint which National Grid NTS anticipates would otherwise arise.

11.22.2 Where National Grid LNG Storage cancels injection or reduces injection quantities under paragraph 5.8.1, National Grid LNG Storage will revise on behalf of Users their Storage Injection Nominations and notify such revised Storage Nomination Quantities as soon as reasonably practicable after the requirement for interruption was known.

11.22.3 Where in respect of a National Grid LNG Storage Facility, National Grid LNG Storage is in receipt of a notice from National Grid NTS pursuant to Section R3.2 in respect of the interruption of the offtake of gas at the Storage Connection Point, National Grid LNG Storage will indemnify the User and hold it harmless against any charges payable by the User to National Grid NTS pursuant to Section G6 in respect of the failure by the User to interrupt the offtake of gas at the relevant Storage Connection Point.

9 Consultation Responses

Representations were received from the following parties:

Respondent	
Company/Organisation Name	Support Implementation or not?
British Gas	Support
Corona Energy	Qualified Support
Major Energy Users Council (MEUC)	Not in support
National Grid Distribution	Support
National Grid NTS	Neutral
RWE Npower	Support
Scotia Gas Networks	Support
SSE	Support
Wales & West Utilities	Support

Of the nine representations received six supported implementation, one offered qualified support, one remained neutral and one was not in support.

Summary Comments

Corona Energy, providing qualified support, questioned the need to include the process within the UNC and highlighted the complications that could arise. They note that the business rules require the shipper to provide reasons and justification for why SPORs are maintained at the current level or revised. They explain that Shippers will not always be able to verify a DM customer's SPOR or the reasons provided for setting it at the stated level and they therefore believe that the legal drafting should make clear that the shipper is acting as an intermediary between the transporter and the customer in this case. They also note that if this process results in a substantial number of sites being reviewed and the SPORs challenged on an annual basis, then the costs could become onerous for shippers.

The MEUC observed that the modification as drafted suggests a decision is made between the Transporter and Shipper, neither of who has a contractual relationship with the consumer, and believed that the activity described should be carried out on an annual basis by the supplier and their customer as part of the annual contract review. A decision of whether to share this with the Transporter and shipper should be taken, however if the customer decides that they do not wish to amend any of the settings (SHQ, SOQ, AQ) this should be final, especially if the customer is prepared to pay for the capacity when it is often difficult to predict future demand for products or services from its own customers.

RWE believe that a April 2012 implementation would be unrealistic and feel that for the process to be designed properly, April 2013 would be far more achievable.

10 Panel Discussions

The Panel Chair summarised that capacity charges are broadly independent of the contracted (Supply Point Offtake Rate) SPOR and so do not provide an incentive against overstatement. SPOR values are one of the factors used for network planning purposes, and overstated SPORs may lead to unnecessary investment. Modification 0390 proposes that SPORs are reviewed on an annual basis to help ensure they accurately reflect end consumer requirements. The modification would also oblige Shippers to apply for a revised SPOR where they became aware that the maximum offtake rate may be or has been subject to any reduction, and to take all reasonable steps to ensure they become aware of any such reduction.

Members recognised that establishing more accurate SPORs, reflecting actual or intended usage, would enable Transporters to effectively plan the development of the distribution network system on a more efficient and economic basis. By avoiding investment in the system to meet overstated SPORs the Transporters would be utilising capital investment in a more efficient and economic manner. Also, by facilitating a reduction in SPORs, where capacity is not required, the Transporters would be able to make available such capacity to other Users thus utilising existing capacity more effectively and avoiding capacity sterilisation.

More accurate capacity requirements communicated by Users to the DNs could also result in more accurate and reflective NTS Exit capacity requirements. Accurate NTS Exit Capacity requirements would allow National Grid NTS to plan their pipeline system in a more efficient and economic manner and so better meet their licence obligations in this respect.

By introducing a process to give assurance about the accuracy of SPORs, the relevant objective of licence compliance may therefore be furthered provided that there is a change in recorded SPORs and subsequent investment. Members accepted that evidence had been presented that suggested inappropriate levels appear to be recorded in some cases, such that some change may be anticipated as a result of implementation.

Some members were concerned that the administrative costs are unduly onerous and would outweigh the benefits of implementation. This would put undue requirements on Shippers and be inconsistent with efficient administration and implementation of the UNC.

Members then voted and, with 6 votes in favour, 3 against and one abstention, determined to recommend that Modification 0390 be implemented.

11 Recommendations

Panel Recommendation

Having considered Modification Report 0390, the Panel recommends:

- that proposed Modification 0390 should be made.