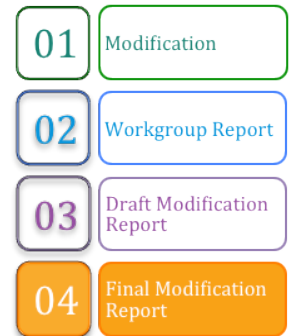


Stage 04: Final Modification Report

0436S:

Consequential changes to the UNC resulting from RIIO-T1

At what stage is this document in the process?



This Modification proposes Code amendments to reflect:

- changes to the NTS Gas Transporter Licence to be introduced under 'RIIO-T1'
- changes in Licence terminology to be introduced under RIIO-T1
- other amendments to Licence references in Code which are currently incorrect



Panel consideration is due on 16 May 2013



High Impact: -



Medium Impact: -



Low Impact: National Grid NTS, Gas Distribution Network Operators, Shippers and Suppliers

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About this document:

This Final Modification Report will be presented to the Panel on 16 May 2013.

The Panel will consider the views presented and decide whether or not this self-governance change should be made.


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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is a self-governance modification.

Why Change?

Changes to UNC terminology and some NTS Gas Transporter (GT) licence conditions will be required as a consequence of the new RIIO regulatory framework. It is necessary to amend parts of the UNC to reflect these changes, so that terminology in the UNC, and UNC cross references to the licence, remain correct.

Solution

This Modification proposes amendments to the UNC so that the UNC correctly reflects changes in terminology due to RIIO-T1 and cross-refers correctly to the revised NTS GT licence conditions.

As part of the exercise of identifying those GT licence conditions that need to be changed due to RIIO, a number of other shipper, supplier and GT licence references in the UNC, which National Grid NTS believes to be inaccurate, have been identified. This Modification therefore also proposes corrections to those licence references as a 'housekeeping' exercise.

Relevant Objectives

Implementation of this Modification Proposal would facilitate the following Relevant Objectives:

- c) Efficient discharge of the licensee's obligations
- f) Promotion of efficiency in the implementation and administration of the Code

Implementation

No implementation timescales is specifically proposed. However, it would be desirable to implement this Modification as soon as possible so that the UNC accurately and promptly reflects the new terminology and licence conditions.

As this is a self-governance Modification, implementation could be 16 business days after a Modification Panel decision to implement (subject to no Appeal being raised).

No implementation costs are anticipated.

2 Why Change?

On 27 July 2012 Ofgem published 'RIIO-T1 and GD1: Draft licence conditions – First Informal Licence Drafting Consultation'. That document contemplates changes to the National Transmission System (NTS) Gas Transporter Licence. The changes are required in order for the licence to be consistent with the outcome of the current price control review based on the new RIIO (Revenue = Incentives + Innovation + Outputs) regulatory framework. Within the same document, Ofgem also proposes to update/consolidate a number of existing NTS licence conditions. However, it did not specify all of the new licence condition numbering, but rather identifies which sections of the licences will be subject to change. Ofgem published a Second Informal Licence Drafting Consultation, containing further condition numbering, on 31st October 2012.

Ofgem completed final licence drafting and condition numbering on 21st December 2012. This was incorporated within the statutory licence modification consultation required to implement Ofgem's Final Proposals.

Ofgem's final licence drafting also incorporated changes in UNC and licence terminology. These changes mean that amendments will be needed to a number of UNC paragraphs to ensure accurate terminology and cross-referencing between the UNC and the licence.

National Grid NTS has made an assessment of the consequential changes that it believes will be required to the UNC, which are identified in this Modification. National Grid NTS's initial assessment of required clauses has also revealed a few erroneous licence references in the Code. It is therefore also proposed to correct these errors within this Modification.

3 Solution

It is proposed to amend the UNC to ensure that terminology in the UNC, and references within the UNC to the NTS GT Licence, are aligned with the changes introduced by the RIIO T1 price control outcome. Any changes to UNC references that are currently specific to the DN Licence that may be required as a consequence of the RIIO-GD1 price control review are outside the scope of this Modification.

An assessment of the proposed changes is shown in Tables 1 to 3 below, based on Ofgem's statutory licence modification consultation documents. Proposed terminology changes, included in UNC clauses which do not cross-refer to licence conditions, are shown in the legal text appended to this Modification. All other changes proposed by this Modification are summarised in the three tables below and are also included in the legal text.

Within this Modification there are several proposed changes to UNC Section Y. It should be noted that these proposed changes are to Section Y as amended by Modification 0438.

Table 1 – Changes to clauses within the UNC that are necessary as a result of RIIO-T1

Table 2 – Proposed UNC changes where current references are believed by National Grid NTS to be incorrect and which are also to change as a result of RIIO-T1

Table 3 – Changes proposed to the UNC to amend licence references which National Grid NTS believes to be incorrect and are not expected to change due to RIIO-T1.

Table 1: Changes to the UNC proposed as a result of RIIO T1

UNC document and section	UNC paragraph requiring change	Current Licence reference	Proposed new Licence reference
General Terms			
Section C	1 DEFINED TERMS	Special Condition C18	Special Condition 9B
	1 DEFINED TERMS	Special Condition C8E	Special Condition 9A
	1 DEFINED TERMS	Special Condition C15	Special Condition 9B

UNC document and section	UNC paragraph requiring change	Current Licence reference	Proposed new Licence reference
	1 DEFINED TERMS	Standard Special Condition A43	To be removed from the GT Licence into Part D of the GD Licence as Standard Special Condition D18
	1 DEFINED TERMS	Special Condition C5(5)	Special Condition 8A
Offtake Arrangements Document			
Section K	1.5.1	Special Condition C8D	Special Condition 5F
Transportation Principal Document			
Section B	1.7.3	Special Condition C8B, C8C or E2b of the Transporter's licence	Special Condition 2A to replace Special Condition C8B; Special Condition 3A to replace Special Condition C8C (E2b to become Special Condition 1B of the GD licence)
	1.8.2(b)	Standard Special Condition A43(4)	To be removed from the GT Licence into Part D of the GD Licence as Standard Special Condition D18
	1.8.3	Standard Special Condition A43(4)	To be removed from the GT Licence into Part D of the GD Licence as Standard Special Condition D18
	2.1.5	Part C9 of Special Condition C8D	Special Condition 5F to replace Special Condition C8D

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UNC document and section	UNC paragraph requiring change	Current Licence reference	Proposed new Licence reference
	2.1.6	Part C9 of Special Condition C8D	Special Condition 5F to replace Special Condition C8D
	2.3.2(d)	Special Condition C8D(11)	Special Condition 9A
	2.3.28(a)	Special Condition C8D(11)(b) and 12(b)	Delete - New Licence does not specifically refer to Users asking for an exchange rate.
	2.3.28(b)	Special Condition C8D(11)(c) and 12(c)	Special Condition 9A(2)
	2.8.2(c)	Special Condition C5(3)	Special Condition 8A
	2.11.1(c)	Special Condition C8B & C8C	Special Condition 2A & 3A
	2.15.1	Standard Special Condition C8D	Special Condition 9A
	3.9.1	Special Condition C5(3)	Special Condition 8A
	3.12.1(b)	Standard Special Condition C8B and C8C	Special Condition 2A & 3A
Section B: Annex B-1	3.10	Special Condition C8.E1(g)	Special Condition 3B
Section D	1.1.4	Special Condition C5(5)	Special Condition 8A to replace Special Condition C5
	1.4.1(g)	Special Condition C5(5)	Special Condition 8A to replace Special Condition C5
Section F	1.1.2 (h)	Special Licence Condition C8B	Special Condition 2A
Section G – Annex G-1	1(vii)	Standard Special Condition A50(8)(e)	Not yet confirmed ^[1]
Section I	3.11.1	Schedule A, Table A2	Not yet confirmed ^[2]
Section O	1.2.3 (a)	Standard Special Condition C2	Special Condition 7A
Section R	1.7.1(a)	Special Condition C2(7) and Special Condition C2(6)	Special Condition C2 to be replaced by Special Condition 7A

UNC document and section	UNC paragraph requiring change	Current Licence reference	Proposed new Licence reference
Section V	10.6.1	Paragraph 4 of Special Condition C8B, C8C or paragraph 11 of Special Condition E2B	Special Conditions C8B and C8C to be replaced by Special Conditions 2A & 3A respectively
Section Y	2.5.3	Special Condition C8B and C8E	Special Condition 2A & 5G respectively
	2.5.3	Special Condition C8C	Special Condition 3A
	4.2	Special Standard Condition C8B	Special Condition 2A
Y – Appendix A	Table	Special Condition C8B (3)(d)	Special Condition 2A
Y – Appendix C	2.5.3	Special Condition C8B and C8E	Special Condition 2A & 5G [3]
	2.5.3	Special Condition C8C	Special Condition 3A [4]
Y – Appendix C Glossary	Table at 'IECR Statement'	Special Condition C15	Special Condition 9B
	Table at 'Ten Year Statement'	Special Condition C2	Special Condition 7A
	2.4	Standard Licence Condition 4B	Not yet confirmed [5]
	Appendix A paragraph 8	Special Condition C8A	Special Condition 1A
	Appendix A paragraph 15	Special Condition C18	Special Condition C1A

Table 2: UNC changes proposed - where current references to licence clauses are incorrect and correct current references are to change under RIIO T1

UNC document and section	UNC paragraph requiring change	Current Licence reference	Correct current licence reference	Proposed new licence reference
Transportation Principal Document				

UNC document and section	UNC paragraph requiring change	Current Licence reference	Correct current licence reference	Proposed new licence reference
Section B	1.8.3	A4(4)	A43(4)	Standard Special Condition D18 of the GD Licence
	2.15.1	Standard Special Condition C8D	Special Condition C8D PART C Paragraph 10	Special Condition 9A
	3.12.1(b)	Standard Special Condition C8B and C8C	Special Condition C8B	Special Condition 2A and 3A
Section Y	4.2	Special Standard Condition C8B	Special Condition C8B	Special Condition 2A

Table 3: UNC changes proposed to amend incorrect licence-related references in UNC paragraphs not being changed by RIIIO

UNC document and section	UNC paragraph requiring change	Current Licence reference	Proposed licence reference/comment
Transportation Principal Document			
Section F	4.5.6(a)	Standard Condition 37 of the Supplier's Licence	Condition 18
Section G	1.16.2(e)	Standard Condition 30 of the Shipper's Licence, by reason of a request made pursuant to Standard Condition 13(4)(a) of the Supplier's Licence,	Neither Standard Condition 30 of the Shipper's Licence, nor Standard Condition 13(4)(a) of the Supplier's Licence, exists
Section G	1.5.4	Condition 9(3)	There is no Condition 9 or 9(3) in the GT Licence

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UNC document and section	UNC paragraph requiring change	Current Licence reference	Proposed licence reference/comment
Section G	2.1.7(b)	Standard Condition 29 of the Supplier's Licence	Standard Condition 8 of the Supplier's Licence
Section Q	1.7.1(a)	Standard Condition 6(17)	Standard Special Condition A8(17)
Section V	1.2.4(b)	Condition 5(3)	Condition 6(3)
Section V	5.5.3(g)	Standard Special Condition 31 and Standard Special Condition 31((2)(d)(ii))	Standard Special Condition A31 and Standard Special Condition A31((2)(d)(ii))
Section V	10.6.1	Paragraph 4 of Special Condition C8B, C8C or paragraph 11 of Special Condition E2B	Paragraph 4 of Special Condition 2A, 3A to replace C8B, C8C (there is no Special Condition E2B in the GT Licence)

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

No changes are proposed to Xoserve systems or processes. Therefore this is not a User Pays Modification.

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.

Not applicable

Proposed charge(s) for application of User Pays charges to Shippers.

Not applicable

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.

Not applicable

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4 Relevant Objectives

Impact of the modification on the **Relevant Objectives**:

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.	None
c) Efficient discharge of the licensee's obligations.	Positive
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.	None
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.	Positive
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.	None

f) Promotion of efficiency in the implementation and administration of the Code

This Modification proposes to correct a number of existing licence referencing errors in the UNC, relating to the GT licence. By proposing to amend/correct these references, this Modification promotes efficiency in the implementation and administration of the Code.

National Grid NTS also believe that relevant objective **c) Efficient discharge of the licensee's obligations** is also met as some of the current references to NTS GT licence conditions in the UNC will become obsolete or incorrect post commencement of RIIIO. The Modification will correct these references, promoting the efficient discharge of licensee obligations.

5 Implementation

No implementation timescale is specifically proposed. However, it would be desirable to implement this Modification as soon as possible so that the UNC accurately and promptly reflects the new terminology and licence conditions.

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement.

No implementation costs are anticipated.

6 Legal Text

Text

The following Text has been prepared by National Grid NTS, and no issues were raised by the Workgroup regarding its content.

General Terms

Defined Terms Listing

Delete the reference to "Incremental Entry Capacity Release Statement" and replace it with "Entry Capacity Release Methodology Statement", and place it in the appropriate alphabetical order.

Delete the reference to "NTS SO Baseline Entry Capacity" and replace it with "Obligated Entry Capacity", and place it in the appropriate alphabetical order.

Section C

In paragraph 1 insert a new definition as follows:

"Entry Capacity Release Methodology Statement" means the capacity release methodology statement prepared and published by National Grid NTS in respect of Entry Capacity in accordance with Special Condition 9B of National Grid NTS's Transporter's Licence."

In paragraph 1, amend the definition of "Exit Capacity Release Methodology Statement" to read:

"means the ~~NTS-exit~~ capacity release methodology statement prepared and published by National Grid NTS in respect of Exit Capacity in accordance with Special Condition ~~C48~~9B of National Grid NTS's Transporter's Licence".

In paragraph 1 insert a new definition as follows:

"Exit Capacity release obligation summary report" means the report prepared and published by National Grid NTS in respect of Exit Capacity in accordance with Special Condition 9B of National Grid NTS's Transporter's Licence."

In paragraph 1, amend the definition of "Exit Capacity Substitution Methodology Statement" to read:

"means the capacity methodology statement prepared and published by National Grid NTS in respect of Exit Capacity substitution in accordance with ~~paragraph 4(b) of~~ Special Condition ~~C8E~~9A of National Grid NTS's Transporter's Licence".

In paragraph 1, delete the definition of "Incremental Entry Capacity Release Statement".

In paragraph 1, in the definition of "Metering Charges Statement", replace the reference to "Standard Special Condition A43" with "Standard Special Condition D18".

In paragraph 1, delete the definition of "NTS Exit Capacity Baseline Statement".

In paragraph 1, in the definition of "System Management Principles", replace the reference to "Special Condition C5(5)" with "Special Condition 8A.

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Transportation Principal Document

Section B

In paragraph 1.7.3, replace the reference to "Special Condition C8B, C8C or E2B of the Transporter's Licence Special" with "Special Condition 2A or Special Condition 3A of National Grid NTS's Transporter's Licence or Special Condition 1B of the relevant DNO's Transporter's Licence".

In paragraph 1.8.2(b), replace the reference to "Standard Special Condition A43(4)" with "Standard Special Condition D18".

In paragraph 1.8.3, replace the reference to "Standard Special Condition 43(4)" with "Standard Special Condition D18", and replace the reference to "Standard Special Condition A4(4)" with "Standard Special Condition D18".

Amend paragraph 2.15(a) to read:

""~~NTS-SO-Baseline~~Obligated Entry Capacity" is the amount of NTS Entry Capacity which
.....;"

In the final paragraph of paragraph 2.1.5, replace the reference to "Part C9 of Special Condition C8D" with "Special Condition 5F".

In paragraph 2.1.6, replace the reference to "Part C9 of Special Condition C8D" with "Special Condition 5F".

Amend paragraph 2.2.3(c)(i) to read:

"the relevant number of incremental amounts (each being for a different amount) of Quarterly NTS Entry Capacity greater than the ~~Baseline~~Obligated Entry Capacity (the maximum incremental amount being the lower of (1) an amount not less than an amount equal to 150% of ~~NTS-SO-Baseline~~Obligated Entry Capacity and (2) an amount determined by the application of National Grid NTS's ~~Incremental-Entry Capacity Release-Statement~~Release Methodology Statement) (each amount an "incremental capacity amount"); and".

Amend paragraph 2.2.3(d) to read:

"the relevant number for the purposes of paragraph (c) being twenty (20) except in the case of an Aggregate System Entry Point where the ~~NTS-SO-Baseline~~Obligated Entry Capacity is less than 300,000,000 kWh/Day where"

Amend paragraph B2.2.18(d)(iv) to read:

"for the New Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive), the Available NTS Entry Capacity and the applicable reserve prices for ~~Baseline-NTS~~Obligated Entry Capacity (in accordance with the Transportation Statement) (the "**applicable reserve price**";".

Amend paragraph B2.2.18(d)(v)(1) to read:

" the relevant number of incremental capacity amounts of Quarterly NTS Entry Capacity greater than the ~~NTS-SO-Baseline~~Obligated Entry Capacity (the maximum incremental capacity amount being the lower of (1) an amount not less than an amount equal to 150% of ~~NTS-SO-Baseline~~Obligated Entry Capacity and (2) an amount determined by the application of National Grid's

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NTS's ~~Incremental~~ Entry Capacity ~~Release Statement~~[Release Methodology Statement](#)); and".

Amend paragraph 2.2.18(d)(vi) to read:

"the relevant number for the purposes of paragraph (v) being twenty (20) except in the event of a New Aggregate System Entry Point where the ~~NTS SO Baseline~~[Obligated](#) Entry Capacity is less than 300,000,000 kWh/Day where the relevant number (being not greater than twenty (20) and not less than five (5)) as set out in National Grid NTS's Transportation Statement."

Amend paragraph 2.3.2(d) to read:

"the **"Entry Capacity Transfer and Trade Methodology Statement"** is the ~~entry~~ capacity methodology statements [in respect of entry capacity transfer and entry capacity](#) trade prepared and published by National Grid NTS in accordance with Special Condition ~~C8D(11)~~[9A](#) of National Grid NTS's Transporter's Licence".

Amend paragraph 2.3.28(a) to read:

"the issue of invitations pursuant to paragraphs 2.3.3 and 2.3.10 represent the means by which a User may request an entry capacity transfer or trade rate or rates ~~for the purposes of Special Condition C8D(11)(b) and 12(b) of National Grid NTS's Transporter's Licence~~;"

In paragraph 2.3.28(b), replace the reference to "Special Condition C8D(11)(c) and 12(c)" with "Special Condition 9A.2".

Amend paragraph 2.6.5(a)(ii) to read:

"any additional Quarterly NTS Entry Capacity which NTS is required to make available pursuant to the ~~Incremental~~ Entry Capacity ~~Release Statement~~[Release Methodology Statement](#) following the submission of quarterly capacity bids in response to the annual invitation; and "

In paragraph 2.8.2(c), replace the reference to "Special Condition C5(3)" with "Special Condition 8A".

In paragraph 2.11.1(c), replace the reference to "Special Condition C8B and C8C" with "Special Condition 2A and 3A".

Amend paragraph 2.14.2(g) to read:

"the amount of ~~NTS SO Baseline~~[Obligated](#) Entry Capacity which remains unsold (if any) following the allocation; and"

Amend paragraph 2.15.1 to read:

"For the purposes of the Code, **"NTS Entry Capacity Substitution Methodology Statement"** means the [capacity](#) methodology statement published [in respect of Entry Capacity substitution](#) pursuant to ~~the Standard~~ Special Condition ~~C8D~~[9A](#) of National Grid NTS's Gas Transporter's Licence."

Amend paragraph 2.15.2 to read:

"National Grid NTS may, from time to time in accordance with the ~~NTS~~ Entry Capacity Substitution Methodology Statement, invite Users to enter"

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Amend paragraph 2.15.3 to read:

"The terms and conditions applicable to any such arrangement and the payment of NTS Entry Capacity Retention Charges shall be specified in the ~~NTS~~ Entry Capacity Substitution Methodology Statement and/or the relevant invitation published by National Grid NTS. "

Amend the definition of "B" in paragraph 2.17.15 to read:

"is the ~~NTS SO Baseline~~Obligated Entry Capacity at the affected ASEP on the date of the ASEP Force Majeure Notice "

Amend paragraph 3.1.6(b)(i) to read:

"the "Baseline NTS Exit (Flat) Capacity" is the amount of NTS Exit (Flat) Capacity which National Grid NTS is required to make available to Users in relation to each Day in that Gas Year (or part thereof) pursuant to National Grid NTS's Transporter's Licence and as set out in National Grid NTS's Exit Capacity ~~Baseline Statement~~release obligation summary report;"

Amend paragraph 3.2.21 to read:

"National Grid NTS may invite Users to submit a notice of reduction at such other times as it may determine in accordance with the principles in the prevailing Exit Capacity ~~Substitution~~Release Methodology Statement, and any such invitation shall"

In paragraph 3.9.1, replace the reference to "Special Condition C5(3)" with "Special Condition 8A".

In paragraph 3.12.1(b), replace the reference to "Standard Special Condition C8B and C8C" with "Special Condition 2A and 3A".

Section B, Annex B-1

In paragraph 3.10, replace the reference to "Special Condition C8E.1(g)" with "Special Condition 3B".

Section D

In paragraph 1.1.4, replace the reference to "Special Condition C5(5)" with "Special Condition 8A".

In paragraph 1.4.1(g), replace the reference to "Special Condition C5(5)" with "Special Condition 8A".

Section F

In paragraph 1.1.2(h), replace the reference to "Special Licence Condition C8B" with "Special Condition 2A".

In paragraph 4.5.6(a), replace the reference to "Standard Condition 37" with "Condition 18".

Section G

Amend paragraph 1.5.4 to read:

"If the Transporter determines and notifies the Registered User that it would not be practicable or economic for Supply Meters at a particular Supply Point to be Daily Read, ~~unless upon application (made within 10 Business Days after such notification by the User) the Authority shall give Condition 9(3) Disapproval to the Transporter not installing Daily Read Equipment~~, the Daily Read Requirement pursuant to paragraph 1.5.3(a) shall not apply, and the

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Registered User may not make a request under paragraph 1.5.9, in respect of that Supply Point (and for the avoidance of doubt the relevant Supply Meter Points shall be NDM Supply Meter Points)."

Amend paragraph 1.16.2(e) to read:

"no existing Registered User would be obliged by virtue of ~~Standard Condition 30~~ of the Shipper's Licence, ~~by reason of a request made pursuant to Standard Condition 13(4)(a) of the Supplier's Licence~~, to submit a Supply Point Objection in respect of the Applicant User's Supply Point Confirmation".

In paragraph 2.1.7(b), replace the reference to "Standard Condition 29" with "Standard Condition 8".

Section O

In paragraph 1.2.3(a), replace the reference to "Standard Special Condition C2" with "Special Condition 7A".

Section Q

In paragraph 1.7.1(a), replace the reference to "Standard Condition 6(17)" with "Standard Special Condition A8(17)".

Section R

In paragraph 1.7.1(a), replace the reference to "Special Condition C2(7) and C2(6)" with "Special Condition 7A".

Section V

In paragraph 1.2.4(b), replace the reference to "Condition 5(3)" with "Condition 6(3)".

In paragraph 5.5.3(g), replace the reference to "Standard Special Condition 31 and Standard Special Condition 31((2)(d)(ii)" with "Standard Special Condition A31 and Standard Special Condition A31((2)(d)(ii)".

In paragraph 10.6.1, replace the reference to "Special Condition C8B" with "Special Condition 2A", and the reference to "Special Condition C8C or E2B" with "Special Condition 3A".

Section Y

In paragraph 2.5.3, under the heading "TO Revenue Recovery Adjustment":

- (a) Amend the second paragraph to read:

"In any given year t , a target revenue figure for ~~Firm~~ Exit Capacity Charges (Target ~~TOExRF_t~~, ~~TORExC_t~~) is set. An adjustment is made to compensate for any exit specific under or over-recovery from the ~~previous~~ relevant year (~~TOK_t~~). For further information, please refer to Special Condition ~~G8B2A~~ and ~~G8E5G~~ of the Licence, and Appendix A of this document."

- (b) Amend the third paragraph to read:

"Revenue from Legacy Incremental Obligated ~~NTS-Exit~~ (~~Flat~~) Capacity ~~Charges~~ is treated as SO revenue within the Price Control formulae stated in the Licence (~~SOExRF_t~~, ~~SORExC_t~~). For further information, please refer to Special Condition ~~G8G3A~~ of the Licence."

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- (c) Insert a new fourth paragraph to read as follows:

"From 01 April 2013, revenue from Incremental Obligated Exit Capacity (whether satisfied through substitution or investment) is treated as TO revenue within the Price Control formulae stated in the Licence (TORExCt). For further information, please refer to Special Condition 2A of National Grid NTS's Transporter's Licence."

- (d) Amend the fifth paragraph to read:

"A single additive constant Revenue Adjustment Factor (RAF) is calculated using Microsoft Excel Solver which, when added to the Initial Nodal Marginal Distance at each demand, gives a revised marginal distance for each demand, such that the total revenue to be recovered from baseline (TO) Exit (Flat) Capacity charges equals the target revenue (i.e. $TOExRF_t \cdot TORExC_t$). The Incremental SO revenue (i.e. $SOExRF_t \cdot SORExC_t$) can be calculated from the prices where incremental obligated flat capacity is released."

- (e) Amend the two formulae located below the sixth paragraph and immediately above the word 'Where' to read:

$$TORExC_t = \sum_{Dj=1}^{n_D} (ExitRev_{t,Dj})$$

$$SORExC_t = \sum_{Dj=1}^{n_D} (ExitRev_{t,Dj,inc})$$

- (f) Amend two of the definitions immediately below these formulae as follows:

$$\del{TOExRF_t} \cdot \del{TORExC_t} = TO \text{ Exit firm } \del{allowed} \text{ revenue for year } t \text{ (£m)}$$

$$\del{SOExRF_t} \cdot \del{SORExC_t} = SO \text{ Exit firm revenue for year } t \text{ (£m)}$$

- (g) In the definitions below the formulae, amend the definition of "ExitRev_{t,Dj,inc}" to read "SO legacy incremental ~~Incremental~~ obligated exit ~~flat~~ capacity revenue from demand j (£m/year)"

In paragraph 4.2, in the first paragraph replace the reference to "Special Standard Condition C8B" with "Special Condition 2A", and in the second paragraph replace "2007 - 2012" with "2013 - 2021".

Section Y, Appendix A

In the table, replace all references to "[Licence Special Condition C8B (3)(d)]" with "(Special Condition 2A of National Grid NTS's Transporter's Licence)".

Section Y, Appendix C, Glossary

In the table at 'IECR Statement', replace the reference to "Special Condition C15" with "Special Condition 9B".

In the table at 'Ten Year Statement', replace the reference to "Special Condition C2" with "Special Condition 7A".

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Section Y, Appendix C, Section 2

Amend paragraph 36 to read:

"The need for Reinforcement to accommodate Exit flows at the connection point will be determined when National Grid receives the appropriate signals for ~~incremental exit capacity~~Incremental Exit Capacity in accordance with the Licence and Network Code."

Section Y, Appendix C, Section 4, Appendix A

In paragraph 8, replace the reference to "Special Condition C8A" with "Special Condition 1A".

Amend paragraph 15 to read:

"~~Incremental exit capacity~~Exit Capacity is as defined in Paragraph 1 of Special Condition ~~C18A~~ of the Licence".

Offtake Arrangements Document

Section K

Amend the heading to paragraph 1.5 to read:

~~Obligated~~Incremental Obligated NTS Entry Capacity"

Amend paragraph 1.5.1 to read: **Incremental Obligated NTS Entry Capacity**

"For the purposes of this Section K "~~Obligated~~" means Incremental NTS Entry Capacity which National Grid NTS may be required, pursuant to Special Condition ~~C8D5E~~ of its Transporter's Licence, to accept an application for or otherwise allocate."

Amend the opening paragraph of paragraph 1.5.2 to read:

"If at any time National Grid NTS is required pursuant to its Transporter's Licence to accept any application for (or otherwise allocate) ~~Obligated~~Incremental Obligated NTS Entry Capacity"

7 Consultation Responses

Representations were received from the following parties:

Company/Organisation Name	Support Implementation or not?
National Grid NTS	Support

Summary Comments

No new issues were identified.

National Grid NTS highlighted that the proposed changes are required as a consequence of the new RIIO regulatory framework and should therefore be implemented as soon as possible.

8 Panel Discussions

9 Recommendation

Panel Recommendation

Having considered the Modification Report, the Panel determined:

- that proposed self-governance Modification 0436S [should/should not] be made.