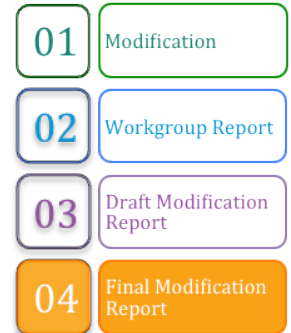


# 0445:

## Amendment to the arrangements for Daily Metered Supply Point Capacity.



This modification removes the requirement for a Bottom Stop Supply Point Capacity and the corresponding restrictions, of Daily Metered (DM) sites connected to a Distribution Network.



The Panel recommends implementation



High Impact:  
Some categories of consumer



Medium Impact:  
Some categories of consumer



Low Impact:  
Shippers and Transporters





## Contents

1	Summary	3
2	Why Change?	4
3	Solution	6
4	Relevant Objectives	8
5	Implementation	9
6	Legal Text	9
7	Consultation Responses	14
8	Panel Discussions	17
9	Recommendation	17

## About this document:

This Final Modification Report and supplemental report will be presented to the Panel on 19 February 2015.

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


<b>Any questions?</b>
Contact: <b>Code Administrator</b>
 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
 <b>0121 288 2107</b>
Proposer: <b>Alan Raper</b>
 <a href="mailto:alan.raper@nationalgrid.com">alan.raper@nationalgrid.com</a>
 <b>01926 653559</b>
Transporter: <b>National Grid Gas Distribution</b>
Systems Provider: <b>Xoserve</b>
 <a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a>

# 1 Summary

## Is this a Self-Governance Modification?

The Modification Panel determined that this modification should not follow Self Governance procedures as it is likely to have a material impact on consumers.

## Why Change?

A Registered User's Supply Point Capacity at a Daily Metered Supply Point, which drives the charging levied by the Transporter, is not permitted to be less than the Bottom Stop Supply Point Capacity. This is set by historic reference to peak use of gas at a Supply Point Component and whilst it can be amended annually it will always be pegged to the previous winters' peak day consumption. This could have significant financial implications for customers' future charges if they are unable to book capacity commensurate with their anticipated future demand. This may not be appropriate in an economic climate where businesses are obliged to adapt and change at speed, to remain viable. For consumers that have constant year on year use, this will have little effect.

Over the last three years this situation has been addressed by the implementation of two Modifications (0275 & 0405), which have allowed amendments to the User's Supply Point Capacity holdings in certain circumstances. This is no longer possible under the current terms of the Uniform Network Code (UNC) because both of these modifications were implemented on a time-limited basis, which have now expired.

## Solution

It is proposed to remove all references in the UNC to the Bottom Stop Supply Point Capacity, thereby removing all the associated restrictions. If implemented the proposal would allow DM consumers to reset their capacity bookings, irrespective of the previous gas year's consumption, although a rule would be proposed to ensure within year profiling is not permitted.

## Relevant Objectives

Implementation of this Modification would facilitate the following Relevant Objectives.

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

No implementation timescales are proposed; However, it is preferable that implementation coincides with the Project Nexus implementation date currently 01 October 2015, as this will save the costs of amending existing systems for the benefit of one operational year, which would then need to be replicated in Project Nexus the following year.

There are no implementation costs associated with this modification.

## 2 Why Change?

### **Current regime:**

Whilst the Uniform Network Code (UNC) allows Users to cease registration at a Supply Point, via the Isolation and Withdrawal process, the restrictions on capacity reduction, limit the ability to reflect reduced demand in the capacity booking. This is because a Registered User's Supply Point Capacity at a DM Supply Point, which drives Transporter charging, is not permitted to be less than the Bottom Stop Supply Point Capacity (Bottom Stop) and can only be reduced during a Capacity Reduction Period (October to January).

The Bottom Stop is fixed based upon the peak day consumption (at the Supply Point Component) within a winter period (October to May inclusive) and this value is then effective from 1st October at the start of the next winter period. As a consequence, the current process may result in the peak winter's day consumption influencing a consumer's ability to book a demand reflective Supply Point Capacity (commonly known as the SOQ) for up to two years.

### **The History of the Bottom Stop:**

Historically the registered capacity for a Supply Point not only dictated the capacity charge but also the unit rate for the commodity charge (higher booked capacity = lower unit rate). If this approach to commodity charging had been the same for Interruptible Supply Points, it would have provided an incentive to overstate the prospective capacity requirements (because capacity charges were not payable by Interruptibles). For this reason the unit commodity rate for Interruptible Supply Points was based on the Bottom Stop. The use of the Bottom Stop discouraged Interruptible Supply points from booking insufficient capacity because they were not subject to ratchet charges, which is the tool to ensure that Firm Supply Points book sufficient capacity. Following the implementation of Modification 0090, all DM Supply Points are now subject to ratchets and a consistent charging regime. Therefore, the Bottom Stop for charging rate derivation purposes is now redundant.

A further use of Bottom Stop has been to assist in the derivation of Prevailing Supply Point Capacity in respect of DM Supply Point Components of a Proposed Supply Point which is a New Supply Point as per G5.2.5(b). In the case of a New Supply Point, being established as a consequence of a Supply Point aggregation or dis-aggregation, this derived value provides a figure below which the Prevailing Capacity is not able to be reduced (except during the Capacity Reduction Period). This prevents aggregation or disaggregation of Supply Points being used as a means of avoiding the restrictions.

The current economic climate continues to be challenging and may require some customers to respond by changing their patterns of energy usage. In some cases, where businesses have closed and new ones have emerged, a change in energy consumption at a site may be inevitable. Given this volatility, there needs to be a degree of flexibility for customers. Therefore, the rules surrounding the Bottom Stop are now outmoded and should be reviewed.

If this modification were not implemented Daily Metered customers would continue to have limited ability under the UNC to amend their Supply Point Capacity because of the Bottom Stop constraints. Such a constraint may not allow customers to obtain a suitable Capacity reduction that reflects their true requirements going forward and this would have a consequential impact on the charges levied upon them and their viability as a business going forward. It is also possible that if a User is not able to reduce their capacity booking to reflect their intended use of the system this could effectively sterilise capacity for twelve months.

This modification follows the implementation of two earlier Modifications 0275 and 0405. These were implemented on a transitional basis because there had been an expectation that there would be a change in the economic conditions and/or an enduring solution to this issue would be brought forward. There has neither been a change in the economic outlook nor has an enduring solution been brought forward. This modification therefore seeks to provide an enduring solution.

Additionally there are currently proposals to introduce daily settlement products for supply points with Annual Quantities (AQ) less than the current DM mandatory threshold. Those sites were previously non daily metered (NDM), and would have had their supply point capacity reset every year as part of the AQ review process.

### 3 Solution

With effect from the date of implementation, Transporters would no longer calculate and record the Bottom Stop Supply Point Capacity within the Supply Point Register.

With effect from the date of implementation, the Registered User's Supply Point Capacity would not be required to be equal to or greater than the Bottom Supply Point Capacity (as the latter value would no longer exist).

With effect from the date of implementation, the proposed Supply Point Capacity specified in a Supply Point Nomination received by the Transporter would not be required to be less than the Bottom Stop Supply Point Capacity (as the latter value will no longer exist) and therefore the Supply Point Nomination would not be rejected for this reason.

With effect from the date of implementation, when aggregating or dis-aggregating a Supply Point (to take effect outside of the capacity Reduction Window), the total DM Supply Point Capacity of all the proposed Supply Points must be equal to or greater than the total DM Supply Point Capacity of all the Current Supply Points, i.e. the total minimum DM Supply Point Capacity of all proposed Supply Points is equal to the total DM Supply Point Capacity of current Supply Points, regardless of how the Supply Meters Points are reconfigured.

Within the Capacity Reduction Window in any Gas Year, the shipper would be allowed to set its DM Supply Point Capacity to a value of its choice without reference to the maximum daily consumption in previous the Gas Year.

The above rule would be qualified to prevent within Gas Year profiling by collaring the new Supply Point Capacity booking to a value not less than the maximum daily consumption recorded in the Winter Period concurrent to the Capacity Reduction Window in which the reduction is to take effect.

Ideally, the capacity booked for a 12 month period would be constant value and would be sufficient to meet the consumer's peak day on any day during the Gas Year. However, the relaxation of the capacity booking regime may encourage Users to book a lower amount at the start of the Gas Year and increase that amount to account for higher daily consumptions when they occur in the colder winter months. Booking capacity in this way is sometimes referred to as "capacity profiling" and we are proposing an additional measure to discourage Users from behaving in this way.

It is proposed that a Capacity Reconciliation Charge ("CRC") be calculated to ensure that, as far as is reasonably practical, a User makes no financial gain by decreasing, and subsequently increasing, the capacity booking at a Supply Point within the Gas Year. A CRC would be levied each time a User requests, (and is granted), a voluntary increase to its capacity booking, where in the same Gas Year that User, or any other User, has previously effected a decrease.

The CRC would be paid by the Requesting User and would be calculated using the formula below:

$$\text{CRC} = ( C_{(\text{new})} - C_{(\text{prev})} ) * D * F$$

Where:

$C_{(\text{new})}$  is the combined daily charge for LDZ Capacity and Capacity Variable Component of the Customer Charge, as calculated based on the new capacity level booked; and

$C_{(\text{prev})}$  is the combined daily charge for LDZ Capacity and Capacity Variable Component of the Customer Charge, as calculated based on the prevailing

0445

Modification Report

22 January 2015

Version 5.0

Page 6 of 17

© 2015 all rights reserved

level of capacity the day before the new booking takes effect; and

D is the number of days between the day of decrease that took the booking below the level now being booked and the day of voluntary increase; and

F is an “incentive Factor” and shall be equal to 1 (one).

It is proposed that the incentive Factor, F, is set at 1 until we can see if Users’ capacity booking behaviours still seek to take advantage of the opportunity to profile. Should this modification be implemented, and we see behaviours where users do seek to profile, the Factor could be increased to a value greater than 1 to ensure that a financial disbenefit accrued from such behaviour.

In the unlikely event that the (  $C_{(new)} - C_{(prev)}$  ) is not the same value for every day, then a simple pro-rating of the value would be calculated for the days in question. This could occur if there were successive decreases at the supply point and the voluntary increase overlaps one of the decrease steps.

For the avoidance of doubt, no CRC would be payable where no decrease was effected in the gas year, and no CRC would be payable in respect of capacity booked in excess of the amount booked immediately prior to the first decrease.

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification
This is not a User pays Modification as it doesn't create or amend a User Pays service.
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
N/a
Proposed charge(s) for application of User Pays charges to Shippers
N/a
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve
N/a

## 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.	Positive
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; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
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
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

### **a) Efficient and economic operation of the pipe-line system.**

Under the existing UNC arrangements a customer may be left with no option other than to vacate the site because the relevant charges do not match their use of the system and this may leave unused capacity. In addition, if the customer is able to effectively reduce their Supply Point Capacity to match intended use, potential sterilisation of capacity might be avoided.

### **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.*

Amending the UNC to reflect the real needs of customers would allow the market as a whole to operate more effectively and competitively. Whilst this might result in an under-utilisation of capacity, with the associated costs being recovered from all other customers, it is not anticipated that these would be significant. The impact of a customer opting to leave the market because a capacity reduction was not available would be much greater as the unused capacity would need to be funded.

By allowing shippers to book capacity that accurately reflects future use, appropriate charges can be levied thereby offering stability in charges that should lead towards securing effective competition between relevant shippers and between relevant



suppliers.

## 5 Implementation

No implementation timescales are proposed. However, it is preferable that implementation coincides with the Project Nexus implementation date currently 01 October 2015, as this will save the costs of amending existing systems for the benefit of one operational year, which would then need to be replicated in Project Nexus the following year.

## 6 Legal Text

### Text

The following Text has been prepared by National Grid Distribution at the request of Panel, and no issues were raised by the Workgroup regarding its content.

*Please note that the text has also subsequently been amended at the request of Ofgem, as follows:*

### Legal Commentary

Due to implementation timescales, the tracked changes in this Legal Text indicate variations from the text as will be in effect following the implementation of UNC Mod 432, which has been approved.

Certain references to Bottom-Stop exist in the Transitional Rules which have not been addressed in this modification. These Transition Rules are no longer in effect so the references to Bottom-Stop have no impact on the regime as it now exists. Since a general reorganisation and rationalisation of the Transition Rules is planned for the future, addressing the existence of sections which have ceased to have effect, it is felt that this modification should be limited to those parts of the UNC which are currently in force.

### UNC Defined Term

The following defined terms shall be deleted:

**“Aggregate Bottom-Stop Capacity”**

**“Bottom Stop”**

### UNC Transportation Principal Document

#### Section G

*Paragraphs 2.4.3 to 2.4.5 shall be amended to read as follows:*

2.4.3 In the case of an LDZ Supply Point where the Proposed Supply Point is a DM Supply Point:

- (a) the Supply Point Capacity (**“Offered Supply Point Capacity”**) specified in the Supply Point Offer shall be:

~~(i) where the Nominated Supply Point Capacity is less than the Bottom Stop Supply Point Capacity, the Bottom Stop Supply Point Capacity;~~

~~(ii) otherwise, but~~ subject to paragraph 5.5, the Nominated Supply Point Capacity (provided that where the Nominated Supply Point Capacity is ~~not~~ **0445** ~~less than the Bottom Stop Supply Point Capacity but~~ less than the Prevailing Supply Point Capacity, paragraph 2.7.3 shall apply);

- (b) subject to paragraph 5.5, the Supply Point Offtake Rate specified in the Supply Point Offer shall be the Nominated Supply Point Offtake Rate;

0445  
Modification Report  
22 January 2015

Version 5.0

Page 9 of 17

© 2015 all rights reserved

and

~~(c) the Supply Point Offer will also specify (for information purposes, where not specified under paragraph (a)(i)) the Bottom-Stop Supply Point Capacity.~~

2.4.4 Subject to paragraphs 2.4.5 and 2.7.3, and unless and until a Supply Point Confirmation is made which becomes effective, a Supply Point Offer will remain valid for a period of six (6) months after it was made.

2.4.5 In the case of an LDZ Supply Point where the Proposed Supply Point is a DM Supply Point, at any time at which the Proposing User has not submitted a Supply Point Confirmation:

(a) if:

(i) the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of the occurrence in any month of a Supply Point Ratchet (pursuant to Section B4.7) in respect of any Existing Supply Point; ~~or~~

~~(ii) at the start of a Gas Year, the Bottom-Stop Supply Point Capacity becomes (pursuant to paragraph 5.2) greater than the Offered Supply Point Capacity~~

the Transporter will so notify the Proposing User whereupon the Supply Point Offer will lapse (but without prejudice to any Supply Point Confirmation submitted before such notification was given, in respect of which paragraph 2.7.4 will apply);

(b) if the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of a Capacity Revision Application (in accordance with paragraph 5.1.4) made by the Registered User for an increase in Supply Point Capacity in respect of any Existing Supply Point, paragraph 2.7.3 shall apply.

*Paragraph 2.7.4 shall be amended to read as follows:*

2.7.4 In the case of an LDZ Supply Point where the Proposed Supply Point is a DM Supply Point, at any time after a Supply Point Confirmation is submitted but before the Supply Point Registration Date:

(a) if:

(i) the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of the occurrence of a Supply Point Ratchet (pursuant to Section B4.7.1) in respect of any Existing Supply Point; ~~or~~

~~(ii) at the start of a Gas Year, the Bottom-Stop Supply Point Capacity becomes (pursuant to paragraph 5.2.3(a)(i)) greater than the Offered Supply Point Capacity~~

the Confirmed Supply Point Capacity will be ~~the~~ increased to the Prevailing Supply Point Capacity ~~or (as the case may be) Bottom-Stop Supply Point Capacity;~~

(b) if the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of the Registered User in respect of any Existing Supply Point applying for an increase in its Registered Supply Point Capacity, the Confirmed Supply Point Capacity will be the Offered Supply Point Capacity.

0445

Modification Report

22 January 2015

Version 5.0

Page 10 of 17

© 2015 all rights reserved

*New Paragraphs 5.1.14 to 5.1.18 shall be added as follows:*

5.1.14 In the event of:

(a) a User applying for and the Transporter approving a Capacity Revision Application resulting in a decrease in the Registered DM Supply Point

Capacity (“the Initial Capacity Reduction”); and

(b) within the same Gas Year as such Capacity Revision Application the same User applies for and the Transporter approves any further Capacity Revision Applications which increase the Registered DM Supply Point Capacity

then the User will pay the Capacity Reconciliation Charge on receipt of an Ad-hoc Invoice in accordance with section S.

5.1.15 Subject to paragraphs 5.1.16 and 5.1.17, the Capacity Reconciliation Charge (or “CRC”) will be calculated as follows:

$$\text{CRC} = (C_{(\text{new})} - C_{(\text{prev})}) * D * F$$

Where:

C<sub>(new)</sub> is the aggregate of the LDZ Capacity Charges and the Capacity Variable Component of the Customer Charge, as calculated based on the increased Registered DM Supply Point Capacity level booked in respect of a Gas Flow Day provided that such amount shall not exceed the aggregate of the LDZ Capacity Charges and the Capacity Variable Component of the Customer Charge in respect of the Gas Flow Day preceding the Initial Capacity Reduction; and

C<sub>(prev)</sub> is the aggregate of the LDZ Capacity Charges and the Capacity Variable Component of the Customer Charge, as calculated based on the prevailing level of capacity the Gas Flow Day before the new increase in the Registered DM Supply Point Capacity takes effect; and

D subject to paragraph 5.1.17 is the number of Days between the Gas Flow Day on which the Registered DM Supply Point Capacity is increased and the Gas Flow Day on which the Initial Capacity Reduction occurred; and

F is an “incentive Factor” and shall be equal to 1 (one).

5.1.16 No CRC shall be payable by the User in respect of any capacity which is in excess of the Registered DM Supply Point Capacity on the Gas Flow Day preceding the Initial Capacity Reduction.

5.1.17 Where, within a Gas Year:

(a) a User has applied for and the Transporter has approved multiple Capacity Revision Applications reducing the Registered DM Supply Point Capacity, in the event of the Transporter approving a Capacity Revision Application increasing the Registered DM Supply Point Capacity the CRC shall be calculated on a daily basis in respect of each Gas Flow Day following the Initial Capacity Reduction until the Capacity Revision Application increasing the Registered DM Supply Point Capacity. Such daily CRC sums shall be aggregated. No CRC shall be payable in respect of any Gas Flow Day on which the Registered DM Supply Point Capacity exceeds the increased Registered DM Supply Point Capacity.

(b) a User applies for and the Transporter approves more than one Capacity Revision Application increasing the Registered DM Supply Point Capacity then on each increase the CRC shall be recalculated on a daily basis in respect of each Gas Flow Day following the Gas Flow Day on which the Initial Capacity Reduction occurred until the most recent Capacity Revision Application increasing the Registered DM Supply Point Capacity. Such daily CRC sums shall be aggregated and any payments already made by the User in respect of CRC for any Gas Days falling within such period shall be deducted from the revised

amount due to the Transporter.

5.1.18 For the purpose of the calculation of CRC on a particular Gas Flow Day pursuant to paragraph 5.1.17, D shall be 1 and  $C_{(prev)}$  is the aggregate of the LDZ Capacity Charge and the Capacity Variable Component of the Customer Charge, as calculated based on the Registered DM Supply Point Capacity on such Gas Flow Day.

Paragraphs 5.2.1 to 5.2.3 shall be amended to read as follows:

5.2.1 Subject to paragraph 5.2.8 a Registered ~~DM~~User's Supply Point Capacity at a DM Supply Point:

- (a) shall not at any time be less than the highest Supply Meter Point Daily QuantityCapacity for any previous Gas Day within the Winter Period falling within that same Gas Year ~~Bottom Stop Supply Point Capacity~~; and
- (b) except within the Capacity Reduction Period or in accordance with paragraph 2.7.4(b), shall not upon the Supply Point Registration Date be less than, or thereafter be reduced below, the Prevailing Supply Point Capacity.

5.2.2 For the purposes of the Code "**Capacity Reduction Period**" means the months of October, November, December and January in any Gas Year.

5.2.3 At any time in the Gas Year:

(a) ~~subject to paragraph (d), the "Bottom Stop" Supply Point Capacity in respect of a DM Supply Point Component is:~~

~~(i) the amount (the "Preceding Year Maximum Capacity" shall mean the amount) which is the highest User SPDQ for any Day (other than a Day in the months of June to September inclusive) in the Preceding Year, but not exceeding the Maximum Supply Point Capacity; or~~

~~(ii) if higher, where there has been a Supply Point Ratchet (in accordance with Section B4.7) in the Gas Year, the amount of the Prevailing Supply Point Capacity (subject to and in accordance with paragraph 5.5.5) following such (or if more than one, the most recent) Supply Point Ratchet;~~

(b) until the Gas Year which commences next after the first month of June which falls after the First Supply Point Registration Date there shall be no Preceding Year Maximum Capacity for a Supply Point which comprises New Supply Meter Point, and any Supply Meter Point which has become comprised in a DM Supply Point or a Supply Meter Point which has become a Class 1 or 2 Supply Meter Point; and

(c) subject to paragraph 5.2.4, the "**Prevailing**" Supply Point Capacity in respect of a DM Supply Point ~~of a Supply Point~~ is the Supply Point Capacity for the time being held by the Registered User; ~~and~~

~~(d) in the case of a DM Supply Point Component which comprises Shared Supply Meter Point(s):~~

~~(i) the "Aggregate Bottom Stop Capacity" shall be the amount determined (irrespective of whether there were, or which Users were, Sharing Registered Users at any relevant time) as the aggregate of the Bottom Stop Supply Point Capacities in accordance with paragraphs (i) and (ii) for all DM Supply Point Component(s) which comprised such Supply Meter Point(s);~~

~~(ii) for the purposes of paragraph (i) the Day by reference to which~~

~~the Preceding Year Maximum Capacities are determined shall be the Day of the highest aggregate User SPDQs in respect of all relevant DM Supply Point Component(s);~~

- ~~(iii) the Sharing Registered Users jointly, or a User Agent on their behalf, may from time to time notify to the Transporter the amounts, and changes in the amounts, which are to be the Bottom Stop Supply Point Capacities in respect of their respective DM Supply Point Components, provided that in aggregate such amounts are equal to the Aggregate Bottom Stop Capacity; and~~
- ~~(iv) upon any change in the Users who are Sharing Registered Users, unless Bottom Stop Supply Point Capacities are notified to the Transporter in accordance with paragraph (iii) not later than such change, the Bottom Stop Supply Point Capacity in respect of each DM Supply Point Component shall be the Aggregate Bottom Stop Capacity divided by the number of Firm DM Supply Point Components.~~

## 7 Consultation Responses

Of the 7 representations received implementation was unanimously supported.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas	Support	d - positive	<ul style="list-style-type: none"> <li>Following the approval of Modification 0478, this modification sets out arrangements for an enduring solution for capacity booking of Daily Metered Supply Points. British Gas believe this change will improve the DM capacity booking by allowing shippers to book capacity, which more accurately reflects future demands, ensuring that more appropriate charges can be levied to shippers and customers and this will help facilitate effective competition between shippers.</li> </ul>
Dong Energy	Support	a - positive d - positive	<ul style="list-style-type: none"> <li>This modification provides an enduring solution to allow end users to book capacity in line with anticipated future demand.</li> </ul>
Gazprom	Support	a - positive d - positive	<ul style="list-style-type: none"> <li>Provides an enduring solution, which enables consumers to book capacity commensurate with their anticipated future demand.</li> <li>Gazprom understand that until implementation the provisions of Modification 0478 - Filling the gap for SOQ reductions below BSSOQ until Project Nexus would continue.</li> <li>Gazprom request clarity if the changes introduced under Modification 0478 - Filling the gap for SOQ reductions below BSSOQ until Project Nexus would endure for the winter 2015/16 should the go live date for Project Nexus be subject to delay.</li> </ul>

National Grid Distribution	Support	b - positive	<ul style="list-style-type: none"> <li>Believe that there is a case for revising the capacity booking rules, such as they relate to reductions. In recent years there have been two proposals implemented which permit shippers to reduce their capacity booking to any value without reference to the previous 12 months usage. On the basis that these transitional proposals were seen as appropriate to implement, National Grid accept that there is a case for similar, permanent arrangements to be introduced for DM capacity bookings.</li> <li>This modification brings the capacity charging regimes of NDM and DM closer together, insofar that NDMs under the Project Nexus arrangements will have their charging capacity ("charging SOQ") reset and fixed for the year by annual review, so DMs will be able to reset their SOQs annually, during the</li> </ul>
			<p>capacity reduction period.</p> <ul style="list-style-type: none"> <li>By delaying implementation until the introduction of new UK-Link system, the costs associated with this functionality will be embedded in the total system development costs and not discretely identified.</li> </ul>
RWE npower	Support	a - positive d - positive	<ul style="list-style-type: none"> <li>This modification would be beneficial for customers, providing an enduring solution that will allow for DM consumers to reset their capacity bookings on an annual basis.</li> <li>RWE npower believe that where a customer has reduced consumption but could not reduce capacity below the BSSOQ, they would consider this to be unfair and welcome a permanent solution that provides a mechanism that enables it to be set it lower, otherwise, the customer would ultimately be penalised.</li> </ul>
Scotia Gas Networks	Support	c - positive d - positive	<ul style="list-style-type: none"> <li>The removal of the Bottom Stop Supply Point Capacity which is linked to the previous winter's peak day consumption has the potential to cause financial difficulty to customers during reduced periods of economic activity. By removing the Bottom Stop Supply Point Capacity and allowing capacity to be booked that is more reflective of actual use, the industry will benefit from the correct allocation of capacity, which will help facilitate effective competition between shippers.</li> <li>Agree with the proposed implementation date of 01 October 2015, which aligns with the current project Nexus go live date. Implementing a solution in advance of project Nexus that would last for a year would result in a duplication of resources and costs.</li> </ul>

Wingas UK	Support	d - positive	<ul style="list-style-type: none"> <li>This Modification will allow the capacity booking of DM meters and increased accuracy that reflects future demands.</li> </ul>
-----------	---------	--------------	---

Representations are published alongside the Final Modification Report.

### Workgroup Supplemental Report

The Workgroup was requested to consider the following questions raised in the Authority's send back letter dated 20 November 2014:

1. *UNC445 proposes a solution to an issue that has been addressed in a number of previous modifications (UNC244, 244A and 244B, UNC275, UNC405, UNC478). We rejected UNC244 in 2009 and subsequently approved time limited modifications to provide urgent flexibility in the economic downturn. However, in order to approve an enduring solution, the FMR should clearly explain how the situation has materially changed from the original proposal (UNC244), which we rejected.*
2. *In our rejection of UNC244, and in subsequent approvals of temporary arrangements, we urged Gas Distribution Networks (GDNs) to provide much more analysis on the likely impact the changes will have on the customers affected as well as on other customers' charges. We also asked GDNs to consider whether the arrangements are sufficiently robust to avoid any potential gaming.*

National Grid Distribution provided information on the historical use of the capacity reduction product set out in the time limited Modifications 0275, 0405, 0478. During this time, there were negligible impacts to LDZ Transportation charges based on the capacity reduction requests enacted.

National Grid Distribution provided additional scenario analysis for its LDZs, based on a proposed increase in take up of capacity reductions. The scenarios identified that historical take up would need to increase by at least 10 times to impact 1 LDZs transportation charges and 100 times to impact 2 LDZs Transportation charges (see the presentation published alongside this report).

In addition, National Grid Distribution confirmed that the capacity made available by this process had not been utilised by growth in demand other consumer sectors. However, Workgroup participants noted that as the economy is still recovering from a significant down turn, the additional capacity might be taken up as the economy grows.

The Workgroup considers the process proposed is sufficiently robust to provide protection from gaming and there is no evidence to demonstrate the need for additional mitigation.

The Workgroup recommends that this Final Modification Report be sent to the Authority for a decision.



## 8 Panel Discussions

The Panel Chair summarised that Modification 0445 would remove the requirement for a Bottom Stop Supply Point Capacity, and the corresponding restrictions, of Daily Metered (DM) sites connected to a Distribution Network.

Members considered the representations made noting that, of the 7 representations received implementation was unanimously supported.

Members considered relevant objectives (a), (b), (c) and (d). Members agreed implementation would have positive impacts to (a) and (d). Removing the Bottom Stop Supply Point Capacity and allowing capacity to be booked that is more reflective of actual use, would benefit the industry by potentially avoiding sterilisation of capacity and allowing appropriate charges to be levied leading towards the securing of effective competition between relevant shippers and between relevant suppliers.

Members voted unanimously to recommend implementation of Modification 0445.

## 9 Recommendation

### Panel Recommendation

Having considered the Modification Report, the Panel recommends:

- that proposed Modification 0445 should be made.