

# 0534S:

## Maintaining the efficacy of the NTS Optional Commodity ('shorthaul') tariff at Bacton entry points

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

This modification seeks to preserve the original intent of the NTS Optional Commodity tariff, namely to avoid inefficient by-pass of the NTS.

Changes to EU law require that CAM and CMP procedures are applied across interconnectors. In response, the Bacton ASEP will be split, creating two new "sub" Aggregate System Entry points (ASEPs); it is this change that may inadvertently restrict a Shipper's ability to make full use of the NTS Optional Commodity tariff and this proposal endeavours to rectify.



Panel consideration is due on 17 September 2015 (*at short notice by prior agreement*).












High Impact: Shippers



Medium Impact: None



Low Impact: NTS

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<b>About this document:</b>		Transporter: <b>National Grid NTS</b>
This Final Modification Report will be presented to the Panel on 17 September 2015. The Panel will consider the views presented and decide whether or not this self-governance change should be made.		 <a href="mailto:fergus.healy@nationalgrid.com">fergus.healy@nationalgrid.com</a>
The Workgroup recommends the following timetable:		Systems Provider: <b>Xoserve</b>
Initial consideration by Workgroup	02 April 2015	 <a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a>
Workgroup Report presented to Panel	20 August 2015	
Draft Modification Report issued for consultation	20 August 2015	
Consultation Close-out for representations	10 September 2015	Additional contacts: <b>Nick Wye</b>
Final Modification Report published for Panel	11 September 2015	 <a href="mailto:nick@waterswye.co.uk">nick@waterswye.co.uk</a>
UNC Modification Panel decision	17 September 2015	 01789 266811

# 1 Summary

## Is this a Self-Governance Modification?

The Modification Panel determined that this is a self-governance modification because it is unlikely to have material effect on competition in the shipping of gas and the operation of the NTS, since the modification attempts to ensure the efficient operation of pipeline systems and would not unduly discriminate between different classes of UNC parties or have a material effect on existing or future gas customers, competition, operation of the pipeline system(s), matters relating to sustainable development, safety or security of supply, or the management of the market or network emergencies.

## Is this a Fast Track Self-Governance Modification?

Fast-Track procedures do not apply because this is not a housekeeping modification.

## Why Change?

In order to ensure compliance with the EU Capacity Allocation Mechanisms in Gas Transmission Systems Network Code, the existing Bacton ASEP within the GT Licence, which National Grid Gas holds in respect of the NTS, will need to be split into two new ASEPs (Bacton UKCS ASEP and Bacton IP ASEP) as described in Ofgem's recent decision in this regard. The splitting of the ASEP will mean that, if the current optional commodity tariff eligibility criteria are left unchanged, a User will only be able to link one of the newly created ASEPs to a nominated NTS exit point.

Given the split of the Bacton ASEP is "artificial" and for the sole purpose of ensuring compliance with the EU CAM Code, it is appropriate to modify the optional commodity tariff eligibility criteria to ensure cost-reflective charging; preservation of the existing arrangements detrimentally impacted by an artificial change to the configuration of an existing ASEP; and non-discriminatory treatment of those Users shipping gas from the same physical entry point to a nominated exit point.

## Solution

At the new Bacton ASEPs only, a new definition for a qualifying entry point for the purposes of the application of the optional commodity tariff is established as follows:

A "**Combined Bacton ASEP**" shall comprise of the Bacton UKCS ASEP and the Bacton IP ASEP, (which are System Entry Points in close physical proximity to each other and each form part of contiguous entry terminal facilities).

This new definition will permit the aggregation of relevant entry flows across the two Bacton ASEPs for the sole purpose of the calculation of the optional commodity tariff.

## Relevant Objectives

Implementation of this Modification would better facilitate the Relevant Objectives a) economic and efficient operation of the pipeline system, b) coordinated, efficient and economic operation of the NTS pipeline system and adjacent transporters at Bacton ASEPs, and d) securing of effective competition between relevant shippers.

## Implementation

The modification should be implemented at such date that the split of the Bacton ASEP is implemented, which is expected to be 01 November 2015. The Bacton split is expected to be implemented by either Modification 0501V or any of its variants.

## Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

The Workgroup believes there are no impacts on the systems changes for EU Reform.

### 2 Why Change?

The NTS Optional Commodity (“shorthaul”) tariff is available to Shippers as an alternative to the standard SO commodity tariff and the TO commodity tariff (both at entry and exit). The charge was introduced in 1998 to reflect more accurately the costs of gas transportation from any eligible entry point to a nearby large exit point, and in so doing seeks to avoid inefficient by-pass of the NTS. The NTS Optional Commodity Charge tariff is levied on the lower of either the daily entry or exit point allocation; the assumption being that any ‘extra’ gas must come from another entry point or alternatively flows to another exit point.

Changes required by EU law, namely those set out in the Network Code on Capacity Allocation Mechanisms (CAM) and the Congestion Management Procedures require harmonised, transparent and non-discriminatory access to transmission capacity at applicable Interconnection Points across the EU. To ensure CAM/CMP procedures can be applied at entry for relevant existing Interconnection Points (IPs) Ofgem has determined that the existing Bacton ASEP be split into two new ASEPs (Bacton UKCS ASEP and Bacton IP ASEP).<sup>1</sup> In summary, the split is a result of legislative change, rather than any alteration to the physical characteristics of the ASEP.

Any changes to ASEP designations driven by the requirement of EU law have an unintended impact on the NTS Optional Commodity tariff, in that it may restrict the quantity of gas that can be shipped to the nominated exit point under these arrangements. Shippers may therefore be forced to pay higher conventional TO and SO commodity charges for some of the gas shipped. Firstly, this self-evidently undermines the original intent of the NTS Optional Commodity tariff, which seeks to dissuade inefficient by-pass of the NTS, and, secondly, it fails to preserve the existing arrangements currently employed by Bacton Users adding unjustified costs to the shipment of gas from the Bacton ASEP to a nearby NTS Exit Point such as an interconnector, thus acting as an undue barrier to cross-border trade. This modification proposal addresses this defect by permitting both of the newly created entry points, in combination, to be eligible to supply nominated NTS Exit Points for the sole purpose of qualifying for the application of the NTS Optional Commodity tariff. For all intents and purposes, it is an artificial reconfiguration of the existing Bacton entry for the single reason of “levering in” the EU CAM code to fit with the existing UK entry and exit capacity arrangements.

Addressing this defect will maintain the efficacy of the NTS Optional Commodity tariff arrangements at Bacton following the split of the Bacton ASEP.

### 3 Solution

This modification is dependent on the splitting of the Bacton ASEP as currently envisioned by modification 0501V or any of its variants.

The proposed solution will ensure the NTS Optional Commodity Tariff will continue to be calculated on the basis of shipper total daily allocations across all ASEPs located at Bacton, irrespective of whether the gas deliveries originate from the UKCS or a neighbouring member state via an interconnector.

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<sup>1</sup> Ofgem Modification of Special Conditions 1A and 5F of National Grid Gas plc’s Gas Transporter Licence to facilitate implementation of the Capacity Allocation Mechanisms Network Code, 10 February 2015

This modification creates a “Combined Bacton ASEP” for the purpose of determining the total daily quantity used in levying the NTS Optional Commodity tariff for gas shipped to a nominated NTS Exit point (when it is lower than the relevant exit point allocation). Calculating entry allocations in this way will ensure that the ‘splitting’ of the existing Bacton ASEP will not artificially under-represent the volume of gas that could have theoretically bypassed the NTS if an alternative pipeline had been built.

To create this Combined ASEP, in order to preserve the original intent of the NTS Optional Commodity (‘shorthaul’) tariff, the following suggested definition is proposed to be inserted into the UNC TPD document:

1. A “**Combined Bacton ASEP**” shall comprise of the Bacton UKCS ASEP and the Bacton IP ASEP, [which are System Entry Points in close physical proximity to each other and each form part of contiguous entry terminal facilities].

*(This definition aims to permit the relevant entry allocation quantities for the NTS Optional Commodity tariff to be aggregated at the appropriate level).*

For avoidance of doubt this modification proposal does not seek to change the methodology used for determining the NTS Optional Commodity tariff, or indeed the justification for such a tariff, nor will it require a Licence change to establish a new ASEP for the purposes of the release of NTS Entry Capacity. It simply seeks to clarify the volume of gas deliveries that can be used in the tariff formula i.e. other than combining the two new ASEPs for calculating a Users UDQI (User Daily Quantity input) for the calculation of Shorthaul, the process should remain unchanged. The proposal also recognises the ‘point to point’ nature of the NTS Optional Commodity tariff calculation, which means that the individual Bacton ASEPs that make up a Combined ASEP are adjacent to each other and are capable of both being connected by the theoretical bypass pipeline to the relevant NTS Exit Point.

The existing process by which Users nominate a combination of one entry point and one or more exit points for shorthaul will remain unchanged i.e. Users will continue to nominate one entry point, which may be either the Bacton UKCS ASEP or the Bacton IP ASEP. Where such a nomination occurs the presumption shall be that the User has nominated the Combined Bacton ASEP.

As stated above the modification requires that the “Combined Bacton ASEP” be used to determine the total daily quantity used and the resultant NTS Optional Commodity Tariff. It is expected that an enduring systems solution will be developed by National Grid, however, in the short term transitional rules are likely to be required to afford National Grid the time to implement the system changes necessary to support the enduring solution.

#### **Current commodity tariffs invoicing arrangements:**

The current invoicing arrangements for both the standard entry and exit commodity tariffs and for the Optional Commodity Tariff are as follows:

For illustrative purposes, November 2015 is taken as a reference Month,

- (1) Month +8 Business Days (would be 10 December) – Unique Sites Invoice would be issued (contains the exit commodity volume billed at shorthaul rate)
- (2) Month +18 Business Days (would be 24 December) – Standard NTS Entry Commodity charges are invoiced via NTS Entry Commodity Invoice (NTE). Users flowing gas through either of the Bacton ASEPs that qualifies for shorthaul (as determined by the creation of the Combined Bacton ASEP) would receive a Commodity Invoice which does not properly reflect the shorthaul discount.
- (3) Month +19 Business Days (would be 29 December) – the Optional NTS Commodity Tariff Adjustment Invoice (OTA) is issued.

In short, once the Bacton ASEP is split into Bacton UKCS ASEP and Bacton IP ASEP, in absence of an enduring solution, only one of these points (the nominated shorthaul entry point) will be charged as per invoice (3), while the other (non-nominated) entry point will be charged as per invoices (1) and (2)

**Proposed transitional solution:**

As a transitional arrangement, until such time as an enduring solution is established, this modification proposes the use of an ad hoc invoice to adjust the shorthaul charges so that they are consistent with a Combined Bacton ASEP. The ad hoc invoice will be issued two months after the month during which the gas flowed. The solution would be as follows:

For illustrative purposes, November 2015 is taken as a reference Month,

- (1) Month +8 Business Days (would be 10 December) – Unique Sites Invoice would be issued (contains the exit commodity volume billed at shorthaul rate)
- (2) Month +18 Business Days (would be 24 December) – Standard NTS Entry Commodity charges are invoiced via NTS Entry Commodity Invoice (NTE). Users flowing gas through either of the Bacton ASEPs that qualifies for shorthaul (as determined by the creation of the Combined Bacton ASEP) would receive a Commodity Invoice which does not properly reflect the shorthaul discount.
- (3) Month +19 Business Days (would be 29 December) – the Optional NTS Commodity Tariff Adjustment Invoice (OTA) is issued.
- (4) 2 Months after reference month (would be January) – any charging adjustment required for the purpose of ensuring that both new Bacton ASEPs are charged the shorthaul tariff when flowing to the same nominated NTS exit point.

In the event, the implementation of the transitional solution is delayed beyond the second month from when the Bacton ASEP is split in two, the very first ad hoc adjusting invoice (4) that is submitted shall cover all relevant charges and eligible flows from the date that the Bacton split is implemented.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	<p>No User Pays service would be created or amended by implementation of this modification and the proposer believes it is not, therefore, classified as a User Pays Modification.</p> <p>National Grid NTS disagree: The implementation of functionality to provide for a combined Bacton ASEP NTS Optional Commodity Tariff will include offline interim arrangements and an enduring solution. This will require recovery of two sets of development costs incurred as a result of the implementation of Modification 0534S.</p>
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.	<p>Costs will be recovered annually, each Combined Bacton User will pay a charge based on their proportion of the total flows nominated for the NTS Optional Commodity Tariff i.e. over each 12 month period (from the implementation date of the mod).</p>

Proposed charge(s) for application of User Pays charges to Shippers.	Costs will be apportioned based on relevant Shippers' percentage of the aggregate flows for which the NTS Optional Commodity Tariff was levied. The costs attributable to the interim solution will be recovered over the first 2 years. A similar process will be followed for the enduring system development.
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Interim Solution: £100k Enduring System changes: In the range £100k to £400k

## 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

The proposal ensures efficient utilisation of the NTS as it enables all gas that can be economically transported in the NTS continues to be so transported, furthering Relevant Objective a). Investment in economically inefficient alternative pipelines should be avoided reducing in the overall level of transportation charges that would otherwise have to be paid by shippers using the NTS.

Without this modification, gas that might otherwise have been delivered into the NTS may be dissuaded from being supplied to the GB market.

Moreover, the current modification ensures that there is no discrimination between shippers or sources of gas, and ensures that no undue barriers to cross-border trade are artificially raised, furthering Relevant Objective d) – securing of effective competition between shippers.

## 5 Implementation

There should be no additional implementation costs for Shippers as this proposal simply clarifies the basis for the determining of the daily entry allocation used for the NTS Optional Commodity tariff, in the light of recent changes to EU law.

Although the European Commission has specified that the Regulation on Capacity Allocation Mechanisms will apply from 01 November 2015, this modification shall only apply from the date when the Bacton ASEP is split into Bacton IP ASEP and Bacton UKCS ASEP, as is described in Modification 0501V.

In the event, the implementation of the transitional solution is delayed, the very first ad hoc adjusting invoice that is submitted shall cover all relevant charges and eligible flows from such date when the Bacton split is implemented.

It is anticipated that Shippers will be able to re-nominate entry flows under these arrangements once the Bacton split final position (under Modification 0501V) is notified to Shippers by National Grid NTS. This will be confirmed directly to affected Shorthaul Users by National Grid NTS.

As self-governance procedures are proposed, implementation could be 16 business days after a Modification Panel decision to implement, subject to no appeal being raised.

## 6 Impacts

### Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

The Workgroup believed there were no impacts on the systems changes for EU Reform.

## 7 Legal Text

### Text Commentary

The introduction of the EU CAM Code has required that the current Bacton ASEP be split into two new ASEPs (Bacton UKCS ASEP and Bacton IP ASEP). This has a knock on effect on the existing NTS Optional Commodity arrangements within the UNC as Users are only able to nominate one entry point to one or more exit points (an exit point cannot be nominated to more than one entry point).

Modification 0534S proposes to amend the UNC to reflect that, for the purposes of the NTS Optional Commodity arrangements only, the two new Bacton ASEPs will be considered as one entry point (the Bacton Combined ASEP). The proposed legal text covers the requirement of Modification 0534S for the NTS Optional Commodity Rate be applied based on a Bacton Combined ASEP and invoiced on an enduring basis under the existing UNC timeframes and also interim measures to facilitate a manual solution (due to the lead times required to implement the necessary UK Link system functionality) to ensure that the correct charges are levied.

Uniform Network Code - Transition Document

PART IIC – Transitional Rules



The new paragraph 19 will cover the transitional (interim) NTS Optional commodity Tariff arrangements that will be in place for the Combined Bacton ASEP until such time as new system functionality can be developed and implemented. It details the process that will be undertaken to account for the inclusion of the two new Bacton ASEPs as one entry point.

19.1 sets out that the paragraph 19 process is an interim measure which will cease to apply once UK Link can correctly process Bacton Combined ASEP invoices.

19.2 outlines that where a User has nominated one of the two new Bacton ASEPs for the NTS Optional Commodity Tariff and the User has flows at both of the new Bacton ASEPs the new interim process will be applied.

19.3 outlines that the existing NTS Optional Commodity Rate invoices will be issued in the same way as they currently are i.e. based on the use of either the Bacton IP ASEP or the Bacton UKCS ASEP and that after these invoices are issued the NTS Optional Commodity charges will be manually recalculated based on the Bacton Combined ASEP. After the charges are recalculated and within the space of one calendar month an ad hoc invoice will be issued for any adjustment required for the NTS Entry Commodity charge and the NTS Exit (Flat) Commodity charge. This paragraph also covers implementation of the modification after the 1 November 2015 ensuring that the first adjustment invoice issued covers the period between the 1 November 2015 and that invoice being issued.

#### Uniform Network Code - Transportation Principal Document

#### TPD Section B - System Use and Capacity

B3.12.8 (c) has been amended to reflect that the nomination of either of the two new Bacton ASEPs for the NTS Optional Commodity Tariff will be treated as a nomination of the Bacton Combined ASEP and includes the Bacton Combined ASEP as a "Specified Entry Point".

B3.12.8 (d) defines what a "Bacton Combined ASEP" is.

### **Text**

The following Text has been prepared by National Grid NTS in response to the formal request from the UNC Modification Panel, and no issues were raised by the Workgroup regarding its content.

## **UNIFORM NETWORK CODE - TRANSITION DOCUMENT**

### **PART IIC – TRANSITIONAL RULES**

*Insert new paragraph 19 in Transition Document Part IIC (Transitional Rules) as follows:*

#### 19. MAINTAINING THE EFFICACY OF THE NTS OPTIONAL COMMODITY TARIFF AT BACTON ENTRY POINTS

19.1 This paragraph 19 shall apply until such date as UK Link is able to issue Invoice Documents correctly reflecting the Bacton Combined ASEP for the purposes of calculating the NTS Optional Commodity Rate.

19.2 In respect of the Bacton Combined ASEP where:

19.2.1 a User elects pursuant to UNC TPD B3.12.7 that the Applicable Commodity Rate in respect of a Specified Entry Point shall be the NTS Optional Commodity Rate; and

19.2.2 the User has delivered gas to the System on any Day at both the Bacton IP ASEP and the Bacton UKCS ASEP within the relevant invoicing period;

19.2.3 the Transporter is unable to issue an Invoice Document correctly reflecting the Specified Entry Point as the Bacton Combined ASEP,

the provisions of paragraph 19.3 shall apply.

19.3 Where paragraph 19.2 applies the Transporter shall:

19.3.1 issue Invoice Documents in accordance with UNC TPD Section S which reflects the NTS Exit (Flat) Commodity Charge being calculated using the NTS Optional Commodity Rate and on the basis that the Specified Entry Point is either Bacton IP ASEP or Bacton UKCS ASEP (as identified in the User’s Conventional Notice in accordance with UNC TPD B3.12.13);

19.3.2 following the issue of this Invoice Document;

- (a) calculate the correct NTS Exit (Flat) Commodity Charge which reflects the Specified Entry Point being Bacton Combined ASEP; and
- (b) calculate the correct NTS Entry Commodity Charge payable by the User for the Bacton Combined ASEP; and

19.3.3 issue an Ad Hoc Invoice within (subject to paragraph 19.3.4) one calendar month of the issue of the relevant Invoice Document referred to in paragraph 19.3.1 to:

- (a) reflect the difference (credit or debit) between the NTS Exit (Flat) Commodity Charge calculated pursuant to 19.3.2(a) and the NTS Exit (Flat) Commodity Charge invoiced in the Invoice Documents referred to in paragraph 19.3.1; and
- (b) reflect the difference (credit or debit) between the NTS Entry Commodity Charge calculated pursuant to paragraph 19.3.2(b) and the NTS Entry Commodity Charge invoiced to the User in respect of Bacton Combined ASEP for the relevant invoicing period.

19.3.4 where implementation of Modification 0534S occurs after the 1 November 2015, the first Ad Hoc Invoice issued pursuant to paragraph 19.3.3 shall be in respect of the period from 1 November 2015 to the start of the next invoicing period and any relevant adjustments shall be made and invoiced on this basis.

## **UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT**

*Amend TPD Section B (System Use and Capacity) paragraph 3.12.8 as follows:*

3.12.8 For the purposes of the Code:

- (a) an “**Eligible Entry Point**” is an Aggregate System Entry Point which is not a Storage Connection Point;
- (b) an “**Eligible Exit Point**” is a System Exit Point which is not a Storage Connection Point;
- (c) a “**Specified Entry Point**” is, in the case of a Supply Point, the Eligible Entry Point identified in the User’s Nomination in accordance with Section G2.3.2 or, in the case of a CSEP, the Eligible Entry Point identified in the Conventional Notice in accordance with paragraph 3.12.13. Where the Eligible Entry Point is either the Bacton IP ASEP or the Bacton UKCS ASEP, the Specified Entry Point shall be deemed to be the Bacton Combined ASEP;
- (d) the “**Bacton Combined ASEP**” shall comprise of the Bacton UKCS ASEP and the Bacton IP ASEP which are System Entry Points in close physical proximity to each other and each form part of contiguous entry terminal facilities;

## 8 Consultation Responses

Of the 7 representations received 5 supported implementation, 1 offered qualified support, and 1 was not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas Trading	Support	a - positive d – positive	<ul style="list-style-type: none"> <li>• Seeks to maintain, in effect, the current Optional Commodity Charge (OCC) arrangements in respect of the Bacton ASEP after it has been split into the two new UKCS and IP ASEPs in order to facilitate the implementation of European gas network codes.</li> <li>• This will be conducive to ensuring the efficient flows of gas into the NTS from the Bacton ASEPs and consequently will provide benefits as regards the efficient use of the NTS and encouragement of competition between shippers.</li> <li>• Self-Governance is justifiable because the proposal is seeking to maintain the status quo for short-haul/ OCC arrangements with respect to the Bacton ASEP, recognising that the Bacton ASEP split is required because of European gas network code requirements.</li> <li>• Costs should not be borne by Shippers. Shippers will not be provided with any additional or new services as a result of this proposal being implemented</li> <li>• The costs for systems change are not being driven by shippers seeking additional services but because the implementation of European network codes is resulting in certain inefficiencies for the NTS at the Bacton ASEP.</li> <li>• It is a reasonable expectation that the funds set aside by transporters for the implementation of the European network codes should cater for the needs of shippers as well as transporters and that holds true in this case.</li> </ul>
EDF Trading	Support	a - positive d - positive	<ul style="list-style-type: none"> <li>• Shippers should not be forced to choose whether to apply the short haul either to UKCS or IP entries and be charged differently for different sources of gas, as the physical reality of the network has not changed.</li> <li>• Modification is justifiable as self-governance as it seeks to maintain existing arrangements.</li> <li>• Modification does not classify as a User pays modification funded by Shippers. The issue that the</li> </ul>

			<p>modification seeks to address is an unintended consequence of the Bacton split. Shippers should not be penalised for measures that seek to address this.</p> <ul style="list-style-type: none"> <li>• If the modification is still classified as User pays and funded by Shippers, the cost recovery period should be extended. With current long term capacity bookings, made to secure financing of the interconnectors and that expire in a few years, costs would be borne by a relatively small number of shippers. The arrangements will benefit the wider shipper community in the long run and the cost recovery period needs to reflect this.</li> <li>• EDF would welcome additional information on how the cost of the interim (£100k) and enduring solution (£400 k) have been estimated, particularly if charges are to be apportioned to Shippers as User pays charges. The estimate strikes then as relatively high. They note that a fuller cost estimate from Xoserve is still pending.</li> </ul>
E.ON UK	Support	a - positive d - positive	<ul style="list-style-type: none"> <li>• Allows Shippers to continue to minimise unnecessary charges for gas transportation routes, which would otherwise be eligible for the optional commodity (“shorthaul”) charge. The primary purpose of the shorthaul tariff is to avoid inefficient bypass of the NTS and removing this possibility.</li> <li>• Believe this should no longer be self-governance and should be referred to Ofgem for a decision, given the likely lack of agreement between Shippers and Transporters about the User Pays cost, noting this would likely extend the implementation beyond the target date.</li> <li>• As this modification is required because of forthcoming changes driven by legally binding European Codes, which both Transporters and Shippers are obliged to comply with, and that the shorthaul tariff provides benefits for both National Grid NTS and Shippers, a split of 50% Shippers and 50% National Grid NTS would seem appropriate. Noting however, that Shippers (and ultimately their customers) will pay for the cost of this change whether it is via the Transporter’s allowed revenue or directly, via User Pays charges.</li> </ul>
Gazprom Marketing & Trading	Support	a - positive d - positive	<ul style="list-style-type: none"> <li>• Modification 0534S is necessary since the UNC would fail to meet its objectives without it and the UK would be in breach of Article 32(1) of Directive 2009/73/EC, as well as the Gas Regulation, due to an unforeseen consequence of implementing Modification 0501V.</li> <li>• The objective is not to add anything new to the UNC, but to ensure that the current use of the system and of</li> </ul>

			<p>the UNC remains unchanged from November onwards.</p> <ul style="list-style-type: none"> <li>Rejects the application of User Pays on Shippers for the purpose of implementing this modification. Modification 0534S corrects an unintended consequence of Modification 0501V by protecting the current, (efficient and non-discriminatory) use of the system and interpretation of the UNC. Despite the legal split, Bacton shall continue to remain one physical point. Gazprom understand that Transporters have funds set aside for the implementation of EU Network Codes and other legislation. It is their view that it is the Transporters' responsibility to ensure implementation of EU law is done correctly and does not result in any unintended consequences.</li> <li>If User Pays must be applied on Shippers/Users, GM&amp;T would like to point out that despite the proposed User Pays period aiming to recover all costs over two years, this modification benefits future users the most. This is important because, with many long-term capacity contracts at both IUK and BBL expiring within the next three years, the variety of Shippers using OCC at both Bacton ASEPs in the future will greatly increase. It would therefore not make sense for only present users to bear all the costs.</li> </ul>
National Grid NTS	Qualified Support	<p>a- potentially positive d - none</p>	<ul style="list-style-type: none"> <li>Emphasise that the creation of the two new Bacton ASEPs has been fully consulted upon by the Authority through both informal and statutory consultation processes, as well as UNC Modification 0501V and alternates, through which the creation of two new ASEPs was determined as being required to facilitate the implementation of the EU CAM Code. The resultant impact of this on the application of the NTS Optional Commodity Tariff (shorthaul) at the Bacton ASEP was a foreseeable change from this process. However they are sympathetic to the position that Bacton Users have identified due to the splitting of the Bacton ASEP into two new ASEPs to facilitate the implementation of the EU CAM Code.</li> <li>Believe it is unclear to what extent that the relevant objectives are furthered by this modification.</li> <li>Unclear to what extent Users would invest in additional pipeline were this modification not be implemented. There is currently little or no analysis relating to inefficient investment and the NTS Optional Commodity Tariff (other than a reduction in the charges that affected Shippers would receive) without which it is difficult to quantify this modification with regards to this</li> </ul>

			<p>relevant objective. However were Shippers to provide analysis that the application of the Commodity Rate (Entry (TO and SO) and Exit (TO and SO)) would result in gas that otherwise would have been delivered into the NTS not being delivered to the GB market (or result in efficient investment) then this would have a positive impact on this relevant objective.</p> <ul style="list-style-type: none"> <li>• Noting that this modification should be applied to the NTS Optional Commodity Tariff from the 1 November, if the modification is not deemed self-governance and implemented after the 1 November 2015 this could potentially mean the modification is to be applied retrospectively. Modifications with retrospective application could introduce uncertainty into the market and an increase in the perception of risk, which can negatively impact upon competition.</li> <li>• As the modification itself states that it has an impact on the economic and efficient operation of the NTS and that gas that otherwise might be delivered to the NTS may be dissuaded from being supplied to the GB market, it is therefore unclear how this modification will not have a potential material impact on existing gas consumers and security of supply and as such they believe the modification should not be self-governance.</li> <li>• Believe this is a User Pays Modification as the principal beneficiaries of the creation of a Combined Bacton ASEP (for the purposes of the NTS Optional Commodity Tariff) are those Shippers that utilise this service and should be funded by those Shippers.</li> </ul>
RWE Supply and Trading	Support	a - positive d - positive	<ul style="list-style-type: none"> <li>• This modification would, for all intents and purposes, maintain the current Optional Commodity Tariff eligibility criteria by introducing a “Combined ASEP” for calculating entry allocations. This change reflects the physical reality at Bacton and is for the purpose of the Optional Commodity Tariff only.</li> <li>• This does meet the self-governance criteria. However, RWEST recognise that there may be a likely split in views and therefore suggest a decision should be made by Ofgem.</li> <li>• This is not a User Pays modification as it is not a new or additional service, the proposal seeks to retain a service that is already available.</li> </ul>
Wales & West Utilities	Oppose	a - none d- none	<ul style="list-style-type: none"> <li>• The purpose of the modification is to assist current users of the Bacton ASEP with the financial impact on the NTS Optional Commodity Tariff at Bacton of the splitting of the Bacton ASEP. Despite WWU having</li> </ul>

			<p>sympathy with the position that some Shippers find themselves in, they believe that any relief should only apply to current users of the short haul tariff, given that it is these users who are directly affected; and that any relief should be limited in duration. This will enable transitional relief to be given to existing users of the NTS Optional Commodity Tariff at Bacton while minimising any competition issues between these existing users and future potential users, however they recognise that this provision itself may set a precedent that may be undesirable.</p> <ul style="list-style-type: none"> <li>• Concerned that this modification introduces unwelcome precedents including charges depending on geographical distance, an issue they acknowledge also exists with the NTS Optional Commodity Tariff itself. They therefore oppose this modification but would be more likely to favourably consider a modification that was more limited in scope and which carefully considered the wider implications of any special arrangements that were proposed.</li> <li>• Believes that this is not self-governance modification. It clearly has an effect on competition in as much as the implementation of 0501 has an adverse effect on some Shippers, which this modification proposal seeks to reverse. While they accept that this modification seeks to restore the current position its effect is clearly to change the competitive position of some Shippers from what they would be without this modification.</li> <li>• Although agreeable the Legal Text delivers the intent of the solution, WWU believe that modifying TPD section Y 3.5 to allow multiple entry points to be associated with one exit point would have been more transparent and changed the relevant objectives assessment.</li> <li>• This modification creates a User Pays service, which should be funded by the users of the Combined Bacton ASEP NTS Optional Commodity Tariff. The effect of UNC 0501 is to create separate ASEPs at Bacton and this Modification changes this for the benefit of Shippers currently using the NTS Optional Commodity Tariff at Bacton, therefore the User Pays costs should be funded by those Shippers benefiting from the change.</li> </ul>
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Representations are published alongside the Final Modification Report.

## 9 Panel Discussions

## 10 Recommendation

### Panel Recommendation

Having considered the Modification Report, the Panel determined:

- that proposed self-governance Modification 0534S [should/should not] be made.