

**CODE MODIFICATION PROPOSAL No. 00xx**  
**"Introduction of an SO Commodity Charge for NTS Storage Exit Flows"**  
Version 0.1  
DRAFT

**Date:** xx/xx/2006

**Proposed Implementation Date:** 01/04/2007

**Urgency:** Non-Urgent

**Proposer's preferred route through modification procedures and if applicable, justification for Urgency**

The Proposer suggests that this Proposal proceeds straight to consultation in accordance with Section 7.3 of the Modification Rules.

**Nature and Purpose of Proposal (including consequence of non implementation)**

The UNC currently provides for the application of an SO commodity charge in respect of storage entry flows (withdrawals from storage) and Storage Use Gas i.e. gas that is deemed to exit the NTS at a storage point for purposes such as "boil off". No such provision exists in respect of storage exit flows (injection into storage).

Therefore, to enable implementation of the proposals contained in Pricing Consultation Paper NTS GCM03 ["Introduction of an SO Commodity Charge for NTS Storage Facilities"] the UNC would need to be modified to provide for the application of the proposed charge to NTS storage exit flows.

It is intended that the proposed change to UNC for storage exit flows, together with the existing provisions in UNC with regard to storage entry flows and Storage Use Gas, would provide for an applicable SO commodity rate to apply to all storage flows, including Storage Use Gas. It is intended that National Grid's Transmission Transportation Charging Methodology statement would describe the applicable charge rate that would apply for the respective storage quantities.

The SO commodity charges liable by Storage Users would be calculated by applying the proposed SO storage commodity charge to both daily storage input and output quantities, and by applying the existing standard SO commodity charge to Storage Use Gas quantities.

Implementation of the Proposal would thus enable implementation of charges that are currently being proposed within NTS GCM03 in respect of storage exit flows, and would provide for the charges to become effective from 1 April 2007 in accordance with the proposed change to the charging methodology.

**Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence**

Implementation would in the Proposer's view allow implementation of the proposed SO commodity charge for storage flows that is currently the subject of Pricing Consultation Paper NTS GCM03. Subject to the Authority's decision on NTS GCM03, implementation would thus further the efficient discharge of NG NTS' obligations under its licence and thus better facilitate the achievement of Standard Special Condition A11.1 (c).

**Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text**

**a. Proposed implementation timetable**

**b. Proposed legal text**

**TPD Section B**

*Amend paragraph 1.8.5 to read as follows:*

“1.8.5 In respect of any Transportation Charge in respect of any System Point:

(a) .....

(b) .....; or

(c) in the case of a Commodity Charge or the Commodity Variable Component of a Customer Charge, the "Applicable Commodity Rate" is the rate of such charge, in pence per kWh of gas flow: provided that, for the purposes of paragraph 0, the Applicable Commodity Rate may be the rate determined in accordance with the Transportation Statement by reference to the distance between the Specified Exit Point and the Specified Entry Point and the capacity of the Specified Exit Point, determined in accordance with Section B3.5.5 (the "NTS Optional Commodity Rate");

in each case in accordance with and subject to paragraphs 1.8.1 to 1.8.4, and (where any such rate varies according to the time of year) as applicable from time to time.”

*Amend paragraph 3.5.3 to read as follows:*

“3.5.3 The NTS Exit Commodity Charge payable (for any Day) by a User will be determined (for each NTS Exit Point) as:

(a) .....

(b) in the case of any other NTS Exit Point, the amount of its UDQO at the relevant NTS Exit Point multiplied by the Applicable Commodity Rate(s).”

**c. Advantages of the Proposal**

National Grid NTS believes that the proposal if implemented would provide for the implementation of the new SO storage commodity charge which is concurrently being proposed within NTS GCM03, and would ensure alignment between the UNC and the (amended) Transmission Transportation Charging Methodology Statement, subject to the decision from the Authority, in respect of gas flows at NTS storage facilities.

**d. Disadvantages of the Proposal**

Users that have elected for the optional NTS commodity charge at NTS storage facilities may require an additional adjustment to the rebate/charge due in the entry commodity invoice.

**e. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

No such implications are envisaged.

**f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including**

**i. implications for operation of the System**

Implementation is not expected to affect the operation of the System

**ii. development and capital cost and operating cost implications**

Any costs associated with changes to the billing systems are expected to be minimal.

**iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs**

Any costs associated with systems development and operating processes would be covered under the internal cost incentive.

**iv. analysis of the consequences (if any) this proposal would have on price regulation**

Implementation would ensure alignment between the UNC and the proposed changes to the Transmission Transportation Charging Methodology as contained in PCxx.

**g. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

Implementation is expected to reduce the level of contractual risk of National Grid NTS by allowing it to charge Storage Users in accordance with its Transportation Charging Statement.

**h. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

[As the NTS storage sites are invoiced by offline systems, any systems changes would not affect the core UK Link System].

**i. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

No such implications are envisaged.

**Code Concerned, sections and paragraphs**

UNC Section B 3.5

**Proposer's Representative**

Dominic Harrison (National Grid NTS)

**Proposer**

Paul Roberts (National Grid NTS)

**Signature**

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