

## **Modification Proposal 0116: Reform of NTS Offtake Arrangements**

As discussed at the Modification Panel last week, SGN would appreciate further clarification in relation to the following aspects of the proposal in order that we can fully consider the proposal and ensure sufficient detail is available to allow adequate consultation. We appreciate views or details may be provided in revised Business Rules and draft legal text but it has not been possible to fully consider these lengthy documents in the timescale provided. Also it has is not clear what the standing of such documents are given that they are not themselves the subject of formal consideration or consultation at this stage.

### **NTS Exit Capacity Products - NTS Exit (Flexibility) Capacity**

The modification proposal and in particular, details in Section 1 of the proposal, focuses on a User's ability to obtain rights to offtake gas over a Gas Day. It is not clear from the definition the proposal adequately accommodates offtakes with a negative flexibility requirement. In particular Section 3. Release of NTS Exit (Flexibility) Capacity implies positive flex capacity only e.g. it does not explain how negative flex capacity bookings will be considered in relation to the 22mcm national limit or any area or zonal limits. The proposal goes on to refer to Users stating desired quantity in each bid the price they are willing to pay for such a quantity. Under the section dealing with Release of Annual NTS Exit (Flexibility) Capacity it states the amount of daily NTS Exit Flexibility Capacity bid for can not be less than the minimum eligible amount of 50,000kWh and amount bid has to be greater or equal to the reserve price. This does not appear to make sense in relation to negative flex capacity. The proposal also states that all bids will be ranked in price order and capacity will be allocated to the highest price bid first. Again, this doesn't make sense in relation to negative flexibility capacity. The proposal later states that assignments will be deducted from the Assignor's holdings and added to the Assignees holdings

### **Pressure commitments**

The Modification Proposal refers to the current basis on which pressure commitments are made to Users and suggests this will continue under enduring arrangements. It states that this will require definition of the level of Assured Offtake Pressures from October 2010 but doesn't say how. Legal text refers to Offtake Pressure Statements but does not appear to explain how or when they can be entered in to, relative to prevailing capacity rights. Currently under the OCS process, pressure is requested along with capacity at each application window as both are seen to go hand in hand and it is recognised that a level of commitment will be required. The proposal indicates pressures will initially be set based on 2009/10 OCS bookings but it is not clear that long term arrangements can then be entered in to along with capacity bookings. The proposal also states that NTS and DNOs can request permanent changes in pressure. NTS can submit a request in April each year, DNOs in July each year. This is to take effect from the following Gas Year at the earliest. The proposal then goes on to talk about finite requests and explains they can be submitted at any time. The proposal also states that requests must be accepted by NTS or

DNOs unless it would prejudice the safe and efficient operation of the network. It also states there will be an overriding obligation to co-operate. We are not at all clear whether these later provisions relate to permanent or finite requests. Also we are not clear whether the proposal will provide for a lead time where investment or alternative arrangements may be required to accommodate a pressure request. Also we are not clear what obligations to co-operate will require. It is important that we understand arrangements to be able to understand potential consequences and be clear that they would drive the correct, economic or efficient outcome.

### **Credit Arrangements**

The proposal states that System Entry Capacity rules will be extended to accommodate NTS Exit Capacity and that all Users must have an appropriate level of credit. It is not clear how this will be determined. The proposal also states that credit checks will take into account any payments due from the User in the next 12 months, is this all flat and flex capacity through long, medium and short term processes, all commodity and neutrality charges?

### **NTS/LDZ Operational Flows**

Under the OAD NG NTS can provide a request to a DNO to interrupt LDZ interruptible supply points. It is proposed that NTS would need to use “constraint management tools” in future. It is not clear whether, how or when NTS envisage they will utilise this facility or when the process would be initiated to ensure it fits in with DN planning and interruption procurement timescales.

It is proposed that NTS should continue to be able to request that a DNO revise OPNs to maintain the same aggregate rate of offtake into an LDZ. It is not clear how this would fit with constraint management tools available to NTS.

It is proposed that this arrangement be extended to DNOs but in relation to flat capacity only between two or more offtakes within an NTS Exit Zone. However we are not clear what the arrangements and timescales are for submitting such a request and can't find any reference to this facility within the draft legal text.