Rough Order of Magnitude (ROM) Analysis

for
Treatment of Existing Entry Capacity Rights
at the Bacton ASEP to comply with EU Capacity Regulations

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Change Driver / Origin

To ensure that Capacity Allocation Mechanisms (CAM) and Congestion Management Procedures (CMP) procedures are applied to Interconnection Points (IP) only, the existing

Bacton ASEP will need to be split into two new ASEPs (Bacton UKCS ASEP, governed by the UNC contract and Bacton IP ASEP governed by the CAM Regulation). National Grid Gas raised Modification 501 to enable the split of the Bacton ASEP point.

Modification 501C has been raised as an alternative to 501. Modification 501C proposes certain aspects that will need system changes to be introduced and are detailed below.

Analysis

Enduring system solution option

Part 1:

The purpose of this solution is to manage the impact of overrun charges. Overrun charges are incurred by a Business Associate (BA), if in a calendar month the quantity of gas offtaken from the system at a location, on any day exceeds the BAs available capacity. The BA shall pay a charge in respect of that location in that month. However, if there is an overrun at the Bacton UKCS ASEP, then unused capacity at the Bacton IP ASEP can be used at the Bacton UKCS ASEP to reduce the Overrun charge and vice versa.

Solutions

- Modify the calculation of overrun charges at Bacton ASEP to reduce the cost taking into account the Un-utilised capacity at the other Bacton ASEP.
- Create a new Report (Screen) to show the original overrun charge and the amount of capacity used from the other ASEP to reduce the overrun.

Part 2: -

The objective of this part of the enduring solution is to reimburse Shippers the cost of purchasing any IP ASEP bundled Capacity at the new IP ASEP where UKCS capacity remains unused. National Grid (NG) would reimburse shippers (the NG cost component only) for the cost of purchasing bundled capacity (but not unbundled capacity) — at the new ASEP only to the extent that the shipper's UKCS ASEP capacity is left un-utilised.

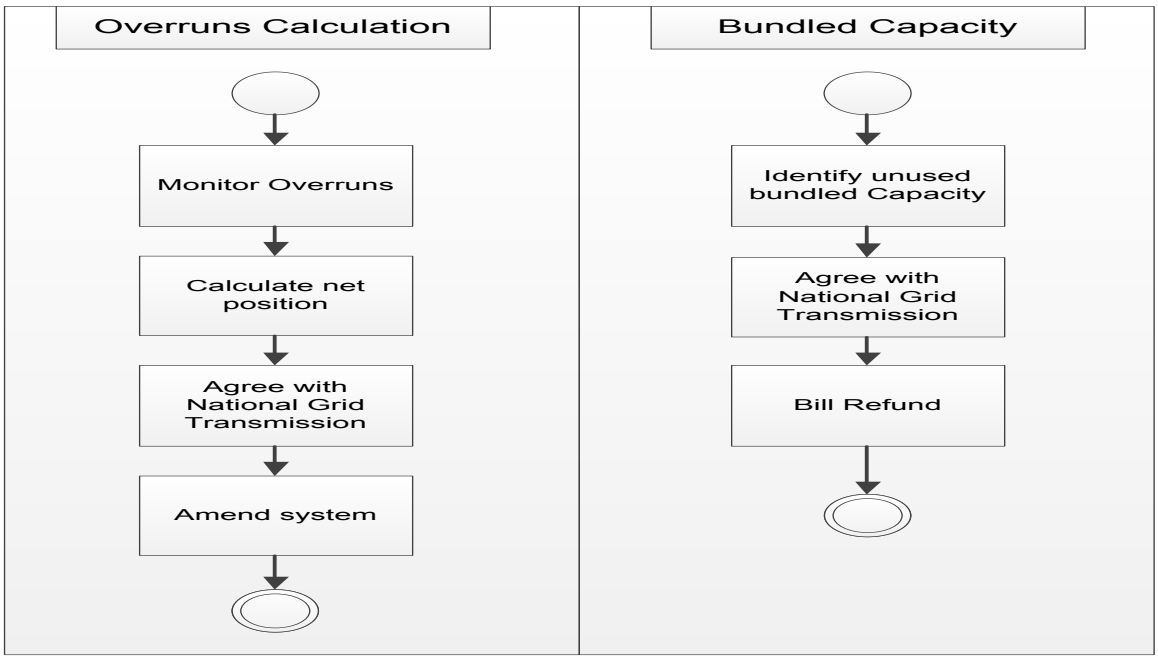
Solutions

- NG reimburses the Shipper for bundled capacity using a new charge type for the NTS Entry Capacity Invoice (NTE).
- Create a new report (Screen) to show the total capacity of the Shippers and credit charges for the un-utilised capacity.

Interim manual solution option

The system changes for 1 & 2 cannot be made until at least April 2016; therefore an interim offline process may be required from November 2015 to implementation of a system solution.

The following context diagram describes in broad terms the expected process required to fulfil an interim manual solution



ROM Costs & Timescales

Note: ROM information is not based on any formal systems analysis and should be used with caution.

Estimated costs:

Enduring system solution option

The solution will cost at least **£415k**, but probably not more than **£490k**
At this time we are unable to define the annual Ongoing Application Support costs.

Interim manual solution option

The solution will cost at least **£20k per annum**, but probably not more than **£50k per annum**

Estimated duration:

Note: durations are subject to Xoserve resources and priorities at the time that documents are received

- The analysis phase will take at least **9 weeks**, but probably not more than **12 weeks**.
- Delivery; including user testing and post implementation support; will take at least **34 weeks**, but probably not more than **36 weeks**.

Assumptions

Project costing assumptions:

- The estimated cost range is based on the project progressing as a stand-alone implementation
- The quoted costs are for the known functional changes to implement the stated business rules
- No performance enhancements are thought necessary
- No costs have been included for user pays invoicing activities

Xoserve cost estimates included:

- Xoserve Project Team costs to implement the solution
- Xoserve Operations Team costs to support implementation of the solution
- Detailed analysis and application development
- Infrastructure service implementation

Xoserve cost estimates not included:

- Any activities associated with User Pays cost recovery

Issues:

- The estimates provided are based on a User Pays arrangement and are for the additional functionality associated with Mod501C only

Impacts on Xoserve:

- For the system solution: Xoserve will be required to provide a test environment and to provide support during testing as well as ongoing support and management of first the interim and subsequent enduring solution.

Impacts on Transporters

- National Grid may be required to support development and testing phases of the delivery

Impacts on Shippers

- Shippers may have a requirement to take part in the testing phase of the delivery