

Implementation will impact the achievement of **Relevant Objectives c and d.**

Workgroup's view of the benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
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.	Yes
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.	Yes
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

Implementation of this modification would define an additional class of connection. Connections that match the definition would not pay separate entry and exit transportation charges based on the amount of energy offtaken and input to the network, but would instead be invoiced based on the net flow, which would be expected to be positive with energy input exceeding that offtaken. This seeks to reflect the particular circumstances of gas being offtaken solely for the purpose of commingling, with gas being returned to the NTS close to the point of exit – both geographically and temporally.

The gas that is offtaken for commingling purpose will have already attracted the appropriate charge when entering the system. Similarly, the gas that re-enters the NTS will subsequently be withdrawn and will attract exit charges as appropriate. Applying charges on a net basis therefore avoids the potential for what might be regarded as double charging. In addition, National Grid NTS would not anticipate any material impact on transportation and system operation costs associated with the gross, as opposed to net, flows of gas. Charges based on the net flow are therefore consistent with the principle that charges should be cost reflective, and that Users should face charges that are commensurate with the costs they impose on the network. Implementation could therefore be expected to facilitate effective competition since costs would be appropriately allocated, avoiding inappropriate discrimination and cross-

subsidies. In addition, maintaining cost reflective charges would facilitate achievement of National Grid's licence obligations with respect to this element.

Implementation could also better facilitate the securing of effective competition between shippers to the extent that it enables additional supplies of gas to be delivered to the market that may be uneconomic to produce if transportation charges were to be applied without netting off. These additional sources will compete with existing supplies and will thus potentially displace other higher cost supplies, to the benefit of GB gas consumers.