

CODE REVIEW PROPOSAL No. 0166
Review of necessary reform of NTS Offtake Arrangements
Version 1.0

Date: 08/08/2007

Nature and Purpose of Proposal

Following the decision of the Competition Commission to uphold the appeal against the decision to implement Modification Proposal 0116V, it is evident that the industry should consider those elements which it is necessary to take forward at this time to provide an enduring regime for offtake arrangements.

It is proposed to establish a Review Group to examine the decision document published by the Competition Commission and identify those matters that may require changes to the UNC. It is anticipated that the Review Group would recommend raising further Modification Proposals where this is deemed necessary.

The decision of the Competition Commission cited four main issues, one of these, the manner in which Ofgem conducts Impact Assessments and weights elements of the analysis, is outside scope of UNC Modifications. However, the remaining three would form the basis of the work of the Review Group. Specifically these are:-

- Arrangements for User Commitment by NTS Connectees for acquiring incremental capacity and capacity surrender.
- Arrangements for the management and monitoring of linepack depletion (Flexibility) and particularly on this point; as there is not currently any scarcity of this nature, to identify the likelihood and timescale of such a scarcity occurring.
- Arrangements for Interruption for NTS Connectees.

It is envisaged that the duration of this review would, if required, enable any Modification Proposals to be raised and implemented by the early part (Q1) of 2008 and therefore would allow any necessary processes to be run in advance of the Gas Year 2008/09, commencing on 1 October 2008.

Any further information (Optional)

It is proposed that this Review is undertaken within the rules established under UNC and the Review Group is open to all UNC signatories. In view of the wide reaching effect of the Offtake Arrangements, it is also proposed that the group be open to other parties having an interest at points connected to and offtaking gas from the NTS. This will include consumers (and their representative bodies), Storage operators, Interconnector operators and their Users.

Draft Terms of Reference have been prepared for this Review Group (contained as an Appendix to this Proposal) but it is proposed that the Review Group be given an initial task of refining and agreeing these Terms, for subsequent approval by the Panel.

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document Offtake Arrangements Document

Section(s) UNC Principal Document Sections A, B, G, J & R
Offtake Arrangements Document Section I
UNC Transition Document Part IIC

Proposer's Representative

Chris Wright (*British Gas Trading*)

Proposer

Chris Wright (British Gas Trading)

Draft Terms of Reference – v 1.0

UNC Modification Reference Number

Review of necessary reform of NTS Offtake Arrangements

1. Background

Following the decision of the Competition Commission to uphold the appeal against the decision to implement Modification Proposal 0116V it is clear that the industry should consider what alternative NTS offtake arrangements should be brought forward.

2. Purpose

This Review Group shall consider:

- How best to monitor the availability of variation in NTS linepack and the adequacy of arrangements for managing within-day flow variation for all NTS users.
- The size, duration and flexibility of user commitments for incremental NTS capacity taking into account the primary needs of NGG and Users to make efficient investment decisions. This shall include arrangements for all Users to secure capacity in advance.
- The design of relevant exit capacity products and their appropriateness for example, for exports through interconnectors injections in to storage and back-up supplies to directly connected customers.
- How interruptible services shall be offered to NTS users.
- Compensation arrangements should exit capacity not be made available.
- Relevant consequential impacts on Gas Distribution Networks.

3. Scope and Deliverables

The Review Group's remit is to focus on changes to the Uniform Network Code and relevant ancillary documents. Where there are likely to be interactions with other industry documents that are not subject to UNC Governance such as the charging methodologies, the Incremental Capacity Release Statement and Procurement Guideline the group shall suggest possible amendment for consideration by National Grid.

The Review Group shall endeavour to complete its deliberations in time for the UNC Panel of 20 December 2007. The target deliverable shall be to submit any fully drafted Modification Proposal that may be identified with the majority endorsement of the Review Group.

Monthly progress reports shall be provided to the UNC Panel.

4. Limits

Although the Review Group shall seek to develop proposals that are cost effective and focus on reforms that are proportionate, targeted and necessary, it shall not concern itself with detailed cost-benefit analysis, which is likely covered by an Ofgem Impact Assessment of any subsequent Modification Proposals which may be identified by the group.

5. Composition of the Review Group

As the implications of changes to the NTS offtake arrangements are wide-ranging it is important that the group membership is drawn from a cross-section of industry representative and relevant stakeholders. Thus in addition to NG NTS, Distribution Networks & UNC Users, the regulator, interconnector users, storage operators and directly connected customers (and/or their representative bodies) will be able to participate.

| Name | Organisation |
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