

## Action TR0901 - Shipper Termination Rules

Transmission Workgroup – 06 November 2014

# Background

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- Identified that in limited circumstances the Termination rules do not prevent a Shipper from deferring their NTS Entry Capacity obligation i.e.
  - where a Shipper operates at a single point on the NTS sets up a new Shipper entity
  - then transfers (trades) its existing NTS Entry Capacity to the new Shipper entity for a later date (please note the Shipper that transfers capacity TO another shipper is the Transferor, the other party to the Transfer is the Transferee)
  - the Transferor subsequently terminates
  - the Transferee can elect to become the registered capacity holder (they can assume financial responsibility for the System Capacity) for the transfer period

# Option Outlined

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1. Trading/Termination :
  - a. where a trade is between parent companies/subsidiaries or between Shippers that are part of the same company group, the transferee will not be given the opportunity to become the Registered Capacity holder and all the capacity is recalled to be made available to the market (UNC TPD B & V).
  - b. as above but will apply to all trades
2. Trading/Credit – where credit sanctions are in place due to insufficient credit, existing UNC sanctions are extended to prevent a Shipper trading their capacity to any another party – this will require changes to UNC TPD B & V.
3. Credit/Termination - where credit is not put in place 12 months prior to the point of use of the capacity the Shipper may be terminated. This could be done by:
  - a. switching on UNC TPD V 3.2.10 (a) & (b) so Shippers would incur a charge for not putting credit in place which could then be invoiced, if this invoice is not then paid they could be terminated.
  - b. amending UNC TPD V making termination the default position after both the 80% and 100% VAR notices are issued and not acted upon

## Shipper Termination Rules – Example

- Shipper A operates at a single point on the NTS - ASEP1 with a Baseline of 500 units & sold/unsold position as outlined below:

	2015/16				2016/17			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sold	200	200	200	200	200	200	200	200
Unsold	300	300	300	300	300	300	300	300

	2017/18				2018/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sold	200	200	200	200	200	200	200	200
Unsold	300	300	300	300	300	300	300	300

# Shipper Termination Rules

- March 2011 - Shipper A books 300 units of LTSEC @ 1p per unit for each Quarter in Gas Years 2015/16 to 2018/19, resulting in:

	2015/16				2016/17			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sold	500	500	500	500	500	500	500	500
Unsold	0	0	0	0	0	0	0	0

	2017/18				2018/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sold	500	500	500	500	500	500	500	500
Unsold	0	0	0	0	0	0	0	0

# Shipper Termination Rules

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- Capacity breakdown by Shipper (same Quantities for each Quarter):

Shipper	Registered	Entitlement
A	300	300
B	100	100
C	100	100

- In accordance with UNC TPD V Shipper A must have sufficient credit in place 12 months prior to the first capacity use date i.e. 1 Oct 2014.
- Where insufficient credit is put in place UNC TPD V3.3 “Requirements as to Value at Risk” will apply & VAR notices will be issued where:
  - a Users VAR exceeds 80% of its Code Credit limit
  - following this, where a Users VAR exceeds 100% of its Code Credit Limit
  - **OPTIONS 3a./3b. ARE APPLIED HERE**

# Shipper Termination Rules

- Upon receipt of the VAR notices Shipper A fails to put sufficient credit in place and credit sanctions are put in place:

	NTS Exit Cap (Buy)	NTS Entry Cap (Buy)	Cap Transfers In	Cap Transfers Out	Exit Cap Assign In	Exit Cap Assign Out	Entry Cap Assign
Sanction	X	X	X	√	X	√	N/A

- Shipper A then Transfers 300 units to Shipper D from 1 October 2017 to 30 September 2019 (post sanction/pre termination) – **OPTION 2 APPLIES HERE**

01/10/15 – 30/09/17

01/10/17 – 30/09/19

Shipper	Registered	Entitlement	Shipper	Registered	Entitlement
A	300	300	A	300	0
B	100	100	B	100	100
C	100	100	C	100	100
			D	0	300

# Shipper Termination Rules

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- First NTS Entry Capacity Invoice for Shipper A is issued in November 2015
- Shipper A does not pay Invoice resulting in:
  - Shipper Termination process being initiated
  - NTS Entry Capacity being recalled in accordance with UNC TPD V4.3
- In accordance with UNC TPD B5.4 NG notifies Shipper D (also in November 2015) within 5 business days of the Termination notice being issued, Shipper D can:
  - allow the Transfer to lapse and cease to be treated as holding the transferred capacity; or
  - elect to become the Registered holder of the capacity (assumes the financial liability for the capacity) for the transfer period
  - **OPTIONS 1a./1b. ARE APPLIED HERE**
- Where Shipper D does not become the Registered holder of the capacity it is recalled and made available to the market via the Entry Capacity Auction processes



# Shipper Termination Rules

- On Termination of Shipper A the Transfer quantity of 300 units is offered to Shipper D at 0.1p per unit for the period 01/10/17 to 30/09/19. Shipper D subsequently elects to be Registered as holding the transfer capacity

14/11/15 – 30/09/17			01/10/17 – 30/09/19		
Shipper	Registered	Entitlement	Shipper	Registered	Entitlement
A	N/A	N/A	A	N/A	N/A
B	100	100	B	100	100
C	100	100	C	100	100
D	0	0	D	300	300

# Shipper Termination Rules

- On Termination of Shipper A & Shipper D electing to become the Registered holder, the overall ASEP position is:

	2015/16							2016/17			
	Q1			Q2	Q3	Q4	Q1	Q2	Q3	Q4	
	Oct	Nov	Dec								
Sold	500	500	200	200	200	200	200	200	200	200	
Unsold	0	0	300	300	300	300	300	300	300	300	

	2017/18				2018/19			
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8
Sold	500	500	500	500	500	500	500	500
Unsold	0	0	0	0	0	0	0	0