

CODE MODIFICATION PROPOSAL No xxxx
<Introduction of a Discretionary Release Mechanism for Non-Obligated Annual NTS
Exit (Flat) Capacity>
Version x.x
DRAFT

Date: 02/02/2010

Proposed Implementation Date:

Urgency: Non Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

Where capitalised words and phrases are used within this Modification Proposal, those words and phrases shall usually have the meaning given within the Uniform Network Code (unless they are otherwise defined in this Modification Proposal). Key UNC defined terms used in this Modification Proposal are highlighted by an asterisk () when first used. This Modification Proposal*, as with all Modification Proposals, should be read in conjunction with the prevailing Uniform Network Code* (UNC).*

Background

Implementation of Modification Proposal* 0195AV established the basis for the reform of NTS Exit Capacity* booking arrangements that, in full, are scheduled to come into effect on 1 October 2012.

As part of these arrangements Users* will be able to apply for Annual NTS Exit (Flat) Capacity rights in a July Annual Application Window * in Gas Year* (Y) for use from Gas Year Y+1, Y+2 or Y+3 onwards. These applications will be for a set quantity of NTS Exit (Flat) Capacity for each Day of the Gas Year. Where National Grid NTS receives such applications for Annual NTS Exit (Flat) Capacity it will allocate in full at each NTS Exit Point where the aggregate quantity applied for is less than or equal to the amount of NTS Exit (Flat) Capacity National Grid NTS has released. Where the requests in aggregate exceed the amount of NTS Exit (Flat) Capacity National Grid NTS has released at an NTS Exit Point, applications will be pro rated and there is currently no facility for National Grid NTS to satisfy such requests in full.

Proposal Summary

National Grid NTS proposes that the UNC be amended to enable National Grid NTS at its discretion, to release non-obligated Annual NTS Exit (Flat) Capacity*, where the aggregate quantity applied for is greater than the Remaining Available NTS Exit (flat) Capacity*.

For clarification National Grid NTS will be able to release non obligated Annual NTS Exit (Flat) Capacity, at its discretion, at levels that exceed the

baseline quantity.

National Grid NTS further proposes that any such release of non-obligated Annual NTS Exit (Flat) Capacity shall:

- be at the sole discretion of National Grid NTS
- be subject to the application of a Reserve Price* (For clarification the Reserve Price, in relation to any class of NTS Exit Capacity, capacity period and NTS Exit Point is the price ascertained pursuant to National Grid NTS's Transporters Licence as set out in National Grid NTS's Transportation Statement.)
- be applied solely for that Capacity Year*
- be in excess of the Remaining Available NTS Exit (flat) Capacity.

For the avoidance of doubt Users will pay Capacity Charges for all the NTS Exit (Flat) Capacity that is allocated through this process i.e the quantity of NTS Exit (Flat) Capacity allocated multiplied by the Reserve Price multiplied by 12 months.

For the avoidance of doubt, any Annual NTS Exit (Flat) Capacity allocated through this process shall be considered in respect of overruns.

- Allocated NTS Exit (Flat) Capacity shall be included in the User's aggregate Available NTS Exit (Flat) Capacity* to determine the Overrun Quantity*
- Price included in overrun prices

Please note that implementation of this Proposal may require National Grid NTS to amend the following:

- "The Statement of Gas Transmission Charges" and
- "The Statement of the Gas Transmission Transportation Charging Methodology."

Users will be informed of their allocations by National Grid NTS no later than five (10) Business Days after the end of the Annual Application Window*.

b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)

Not applicable

c) Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.

2 User Pays

a) **Classification of the Proposal as User Pays or not and justification for classification**

It is the view of National Grid NTS that this Proposal is a change/addition to the services provided by xoserve and as such National Grid NTS is of the view that this is a User Pays Proposal

b) **Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification**

National Grid NTS is of the view (due to the reasons outlined above) that this is a User Pays Proposal, we further propose due to the reasons outlined above, that the split of the recovery of Implementation Costs should be:

[0]% Shipper Users [0]% Transporters

c) **Proposed charge(s) for application of Users Pays charges to Shippers**

d) **Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve**

Any charge applied will be based on the formula outlined in Section 2 b) above and will be dependent upon actual costs received from xoserve

3 **Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives**

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates; ; For the reasons given below, the Proposer believes that this Proposal will better facilitate relevant objectives A11.1 (a)

- in respect of Standard Special Condition A11 paragraph 1(a), the efficient and economic operation of the pipe-line system, this Proposal would provide additional flexibility allowing National Grid NTS to release additional NTS Exit (Flat) Capacity in response to industry demand.

Standard Special Condition A11.1 (b): so far as is consistent with the sub-paragraph (a), the co-ordinated, efficient and economic operation of (i) the combined pipe-line, and/or (ii) the pipe-line system of one or more other relevant gas transporters; For the reasons given below, the Proposer believes that this Proposal will better facilitate relevant objectives A11.1 (b)

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- this proposal would allow Users and National Grid NTS increased flexibility when responding to demand signalled by Users at NTS Exit Points
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Standard Special Condition A11.1 (c): so far as is consistent with the subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence; Not applicable

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; Not applicable

Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the 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; Not applicable

Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code; Not applicable

4 The implications of implementing this Modification Proposal on security of supply, operation of the Total System and industry fragmentation

National Grid NTS believes that this Proposal, if implemented, may enhance the operation of the Total System by allowing Users the opportunity to obtain additional NTS Exit (Flat) Capacity than would otherwise be the case.

5 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

a) The implications for operation of the System:

National Grid NTS does not believe this Proposal, if implemented, would adversely affect the physical operation of the System. By optimizing the release of NTS Exit (Flat) Capacity, implementation of this Proposal would provide Users with greater opportunities to obtain NTS Exit (Flat) Capacity.

b) The development and capital cost and operating cost implications:

National Grid NTS believes this Proposal, if implemented may have some cost implications with regards to system implementation and operating costs.

c) Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:

As detailed in section 2 all costs to be met proportionately by [Users/Transporters] based on ...

d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

National Grid NTS believes that the Proposal will have no material impact on the level of contractual risk of each Transporter.

6 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)

Not applicable.

7 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users

National Grid NTS may need to undertake development of the UK-Link system to accommodate the release of additional NTS Exit (Flat) Capacity. National Grid NTS has raised a ROM request with xoserve to ascertain the nature of the change required and indicative costs, the results of which are as follows:

8 The implications for Users of implementing the Modification Proposal, including:

a) The administrative and operational implications (including impact upon manual processes and procedures)

National Grid NTS is not aware of any such implications but would welcome responses from Users in this area.

b) The development and capital cost and operating cost implications

National Grid NTS is not aware of any such implications but would welcome responses from Users in this area.

c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

National Grid NTS is not aware of any such implications but would welcome responses from Users in this area

9 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)

National Grid NTS is not aware of any implications, but would welcome responses from Users in this area.

10 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters

National Grid NTS is not aware of any such consequences

11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 10 above

Advantages

- would facilitate additional flexibility in making additional NTS Exit (Flat) Capacity available to Users
- may enable Users to adjust their portfolio of Annual NTS Exit (Flat) Capacity holdings as their demand forecasts become more certain.
- would allow Users the opportunity to secure additional NTS Exit (Flat) Capacity, therefore allowing gas flows that may otherwise be prevented

Disadvantages

No disadvantages have been identified.

12 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)

Written representations are now sought in respect of this Proposal

13 Detail of all other representations received and considered by the Proposer

None

14 Any other matter the Proposer considers needs to be addressed

None

15 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal

16 Comments on Suggested Text

To be advised

17 Suggested Text

To be advised

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s)

Proposer's Representative

Name (Organisation)

Proposer

Name (Organisation)