

CODE MODIFICATION PROPOSAL No xxxx

< To determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year.>

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 where the effective start date of the capacity will be the 1 October for each year.

However Enduring Annual NTS (Flat) Exit Capacity* can be both increased and reduced outside of the application window and where this occurs it may have an effective start date other than the 1 October thereby creating volumes of NTS Exit (Flat) Capacity* that are not then available for a full Gas Year. This can occur where:

- Enduring Annual NTS (Flat) Capacity increases and reductions are undertaken via the following processes:
 - Increases via Ad-hoc and Advanced Reservation of Capacity Agreement* (ARCA) applications.
 - Decreases within the 1-15 July reduction window.
 - Ad-hoc decreases made in response to an invitation issued by National Grid.
- The use of permits. National Grid NTS is allowed, in accordance with incentives in the Licence, a limited quantity of permits whereby it can extend or reduce the 38 month default lead time for the delivery of NTS obligated incremental exit flat capacity.

Where these scenarios occur resulting in effective start dates other than the 1 October for Enduring Annual NTS Exit (Flat) Capacity, there is an impact on the Remaining Available NTS Exit (Flat) Capacity that is then made available in the Annual NTS Exit (Flat) Capacity application process i.e. this means that the remaining quantity that is available at a NTS Exit Point will fluctuate within the Gas Year and therefore the same set quantity would not be available for each and every day of a Gas Year.

Proposal Summary

National Grid NTS proposes that only unsold NTS Exit (Flat) Capacity which is available for the whole Gas Year will be released as Annual NTS Exit (Flat) Capacity i.e. the lowest unsold quantity available at an NTS Exit Point at any point during the Gas Year.

For the avoidance of doubt unsold NTS Exit (Flat) Capacity which is available for a period of less than 12 months will not be included in any Annual NTS Exit (Flat) Capacity offered for release in the Annual Application Window in July. For clarity, all Ad hoc Applications received (and not rejected) prior to the issue of the Annual Capacity invitation letter will have an impact on and therefore reduce the amount of capacity offered within this letter. However any NTS Exit (Flat) Capacity that has been excluded for this reason will be made available via the daily capacity auctions and may be obtained as Daily NTS Exit (Flat) Capacity* (as detailed in section B3.5 of the UNC)

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; ; in respect of Standard Special Condition A11 paragraph 1(a), the efficient and economic operation of the pipe-line system, this proposal would result in additional flexibility and provide certainty with regards to the amount of NTS Exit (Flat) Capacity that National Grid NTS will make available.

Standard Special Condition A11.1 (b): so far as is consistent with the subparagraph (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; Not applicable

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; National Grid NTS believes that in respect of Standard Special Condition A11 (f), the promotion of efficiency in the implementation and administration of the network code and or the uniform code would be improved by the implementation of this proposal. This is

because this proposal would add clarity to the release arrangements of Annual NTS Exit Capacity, providing the determination of the amount of NTS Exit (Flat) Capacity to be released via the Annual Application Window.

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

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 believes that the operation of the system* would not be adversely affected. Determining the release process of Annual NTS Exit (Flat) Capacity, where unsold NTS Exit (Flat) Capacity is not available for the whole Gas year and so is released as Daily Capacity, would optimize the release of NTS Exit 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 this change. 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 believes there are no administrative or operational implications associated with this proposal. All unsold NTS Exit (Flat) Capacity remaining can be obtained in the daily capacity auctions process regardless of the Annual NTS Exit Capacity release process used.

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

National Grid NTS believes that the advantages of implementing this proposal

xxxx: <Introduction of a Discretionary Release Mechanism for Non-Obligated Annual NTS Exit (Flat) Capacity>

would be:

- It provides a method to determine the quantity of Annual NTS Exit (Flat) Capacity, which is a yearly product, to be released where the quantity of unsold NTS Exit (Flat) Capacity fluctuates within the Gas year.
- It simplifies a potentially complex process, ensuring that the Annual NTS Exit (Flat) Capacity product is not impacted by any changes via any Ad-hoc applications or reductions.
- It offers additional short term exit capacity. This gives flexibility to User(s)* by providing additional choice in the duration of NTS Exit (Flat) Capacity required.
 - 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 Fergus Healy

Proposer

Name National Grid NTS