

## Stage 02: Workgroup Report

# 0409S:

## Removing the restriction on the Users' application quantity for Annual NTS Exit (Flat) Capacity

What stage is this document in the process?



This modification seeks to remove a UNC provision that may restrict Users from placing applications for discretionary NTS Exit (Flat) Capacity during the Annual Application Window.



The Workgroup recommends that this self-governance modification should now proceed to Consultation



High Impact: -



Medium Impact: -



Low Impact: Shippers, DN Users and National Grid NTS

0409S

Workgroup Report

02 February 2012

Version 1.0

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## About this document:

The purpose of this report is make a recommendation to the Panel, to be held on 16 February 2012, on whether Modification 0409S is sufficiently developed to proceed to consultation and to submit any further recommendations in respect of the definition and assessment of this self-governance modification.



### 3 **Any questions?**

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# 1 Summary



## Is this a Self-Governance Modification?

The Modification Panel determined that this is a self-governance modification.

## Why Change?

Modification 0290, implemented in July 2010, enabled the release of additional Annual NTS Exit (Flat) Capacity at the discretion of National Grid NTS. However, this did not remove a provision in Annex B-1 of TPD Section B that restricts the quantity of Annual NTS Exit (Flat) Capacity that Users can apply for, and which subsequently may unnecessarily limit the quantity of discretionary Annual NTS Exit (Flat) Capacity released to the market.

## Solution

The proposed solution is to amend UNC TPD Section B Annex B-1 to remove paragraph, 3.1 (f) (ii).

## Impacts and Costs

Implementation would clarify the UNC and bring it in line with established practice. No implementation costs would be incurred.

## Implementation

Since this modification relates to the Annual Application Window, implementation prior to July 2012 would be desirable. As a self-governance modification, implementation could be 16 business days after a Modification Panel decision to implement.

## The Case for Change

By removing a provision that could unnecessarily prevent Users from applying for Annual NTS Exit (Flat) Capacity – capacity that could be released at National Grid NTS' discretion - implementation would clarify the operation of the UNC and ensure the intention of Modification 0290 is not undermined. This would be consistent with facilitating efficient administration of the UNC.

## Recommendations

The Workgroup considers that self-governance modification 0409S should proceed to consultation.

## Discretionary Annual NTS Exit (Flat) Capacity

Discretionary Annual NTS Exit (Flat) Capacity is defined as the amount of Annual NTS Exit (Flat) Capacity which National Grid NTS may decide to release for in its absolute discretion in addition to the Baseline NTS Exit (Flat) Capacity.

## 2 Why Change?



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### UNC TPD B3.1.6(b)(ii)

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Modification 0290, implemented on 20 July 2010, enabled the release of additional Annual NTS Exit (Flat) Capacity at the discretion of National Grid NTS.

Following the implementation of Modification 0290 a provision in Annex B-1 of UNC TPD Section B was noted which restricts the quantity of Annual NTS Exit (Flat) Capacity that Users can individually place applications for which subsequently may limit the quantity of discretionary Annual NTS Exit (Flat) Capacity released to the market. Under the aforementioned provision it is only possible for National Grid NTS to release discretionary Annual NTS Exit (Flat) Capacity where two or more Users place requests that individually are less than the Remaining Available quantity, but when considered in aggregate they total a quantity greater than the Remaining Available quantity. The effect of the restriction discussed is particularly noticeable for single User NTS Exit Points where it would prevent the User from placing a request for an amount greater than the Remaining Available quantity and therefore prevent any discretionary release at that NTS Exit Point. It is also particularly noticeable for NTS Exit Points where Remaining Available NTS Exit (Flat) Capacity is 0kWh, meaning that no User will be able to place a request for any quantity of Annual NTS Exit (Flat) Capacity. This restriction was not recognised in the development of and was not the intention of Modification 0290. For the purposes of the Annual Application Window for Annual NTS Exit (Flat) Capacity starting 01 July 2011, National Grid NTS, after discussion with the Authority, did not seek to enforce the aforementioned restriction, hence Users were individually able to apply for Annual NTS Exit (Flat) Capacity in excess of the Remaining Available NTS Exit (Flat) Capacity at a location and National Grid NTS was able to consider releasing additional capacity in respect of such applications at its discretion, as intended by Modification 0290. Implementation would therefore regularise the established position.

**Remaining Available NTS Exit (Flat) Capacity** is defined in the UNC as the amount of capacity (if any) by which the Baseline NTS Exit (Flat) Capacity for the Gas Year exceeds the aggregate amount of NTS Exit (Flat) Capacity registered at that time, as held by Users in relation to that Gas Year or Day.

## 3 Solution

The proposed solution is to amend UNC TPD Section B Annex B-1 to remove paragraph, 3.1 (f) (ii). This would allow Users to individually be able to apply for Annual NTS Exit (Flat) Capacity in excess of the Remaining Available NTS Exit (Flat) Capacity at a location.

## 4 Relevant Objectives

Implementation will better facilitate the achievement of **Relevant Objective f.**

| 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.   | No                |
| b) Coordinated, efficient and economic operation of<br>(i) the combined pipe-line system, and/ or<br>(ii) the pipe-line system of one or more other relevant gas transporters.   | No                |
| c) Efficient discharge of the licensee's obligations.  | No                |
| d) Securing of effective competition:<br>(i) between relevant shippers;<br>(ii) between relevant suppliers; and/or<br>(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers. | No                |
| 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.   | No                |
| f) Promotion of efficiency in the implementation and administration of the Code.   | Positive          |
| g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.   | No                |

### Achievement of relevant objective (f) "Promotion of efficiency in the implementation and administration of the Code"

This modification will facilitate the promotion of efficiency in the implementation and administration of the Code as it clarifies the UNC and removes an obligation which has been disregarded in practice.

## 5 Impacts and Costs

### Consideration of Wider Industry Impacts

None identified.

### Costs

| Indicative industry costs – User Pays  |
|--|
| Classification of the Proposal as User Pays or not and justification for classification  |
| Not User Pays.   |
| Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification |
| N/A  |
| Proposed charge(s) for application of Users Pays charges to Shippers   |
| N/A  |
| Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve                                |
| N/A  |

### Impacts

| Impact on Transporters' Systems and Process |  |
|---|--|
| Transporters' System/Process                | Potential impact                                       |
| UK Link                                     | <ul style="list-style-type: none"> <li>None</li> </ul> |
| Operational Processes                       | <ul style="list-style-type: none"> <li>None</li> </ul> |
| User Pays implications                      | <ul style="list-style-type: none"> <li>None</li> </ul> |

| Impact on Users                          |  |
|--|--|
| Area of Users' business                  | Potential impact   |
| Administrative and operational           | <ul style="list-style-type: none"> <li>Users will be more confident that, individually, they will be able to apply for a quantity of NTS Exit (Flat) Capacity above the level of Remaining Available NTS Exit (Flat) Capacity</li> </ul> |
| Development, capital and operating costs | <ul style="list-style-type: none"> <li>None</li> </ul>   |
| Contractual risks                        | <ul style="list-style-type: none"> <li>Removes the risk that interpretation of the UNC may change in future and the potential restriction on applications will be enforced</li> </ul>  |
| Legislative, regulatory and contractual  | <ul style="list-style-type: none"> <li>None</li> </ul>   |

## Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification

**0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:  
<http://www.gasgovernance.co.uk/sites/default/files/0565.zip>

| Impact on Users               |  |
|-------------------------------|--|
| obligations and relationships |  |

| Impact on Transporters  |  |
|---|--|
| Area of Transporters' business  | Potential impact   |
| System operation  | <ul style="list-style-type: none"> <li>None</li> </ul>   |
| Development, capital and operating costs                              | <ul style="list-style-type: none"> <li>None</li> </ul>   |
| Recovery of costs   | <ul style="list-style-type: none"> <li>None</li> </ul>   |
| Price regulation  | <ul style="list-style-type: none"> <li>None</li> </ul>   |
| Contractual risks   | <ul style="list-style-type: none"> <li>Regularises the position where a UNC obligation is not being enforced, reducing contractual risk</li> </ul> |
| Legislative, regulatory and contractual obligations and relationships | <ul style="list-style-type: none"> <li>None</li> </ul>   |
| Standards of service  | <ul style="list-style-type: none"> <li>None</li> </ul>   |

| Impact on Code Administration |  |
|-------------------------------|--|
| Area of Code Administration   | Potential impact                                       |
| Modification Rules            | <ul style="list-style-type: none"> <li>None</li> </ul> |
| UNC Committees                | <ul style="list-style-type: none"> <li>None</li> </ul> |
| General administration        | <ul style="list-style-type: none"> <li>None</li> </ul> |

| Impact on Code                         |  |
|--|--|
| Code section                           | Potential impact   |
| UNC TPD Section B Annex B-1 3.1(f)(ii) | <ul style="list-style-type: none"> <li>Removal of paragraph</li> </ul> |
|  |  |

| Impact on UNC Related Documents and Other Referenced Documents               |  |
|--|--|
| Related Document   | Potential impact                                       |
| Network Entry Agreement (TPD I1.3)   | <ul style="list-style-type: none"> <li>None</li> </ul> |
| Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4) | <ul style="list-style-type: none"> <li>None</li> </ul> |
| Storage Connection Agreement (TPD R1.3.1)                                    | <ul style="list-style-type: none"> <li>None</li> </ul> |



| Impact on UNC Related Documents and Other Referenced Documents |        |
|--|--------|
| UK Link Manual (TPD U1.4)                                      | • None |
| Network Code Operations Reporting Manual (TPD V12)             | • None |
| Network Code Validation Rules (TPD V12)                        | • None |
| ECQ Methodology (TPD V12)                                      | • None |
| Measurement Error Notification Guidelines (TPD V12)            | • None |
| Energy Balancing Credit Rules (TPD X2.1)                       | • None |
| Uniform Network Code Standards of Service (Various)            | • None |

| Impact on Core Industry Documents and other documents                   |                  |
|---|------------------|
| Document  | Potential impact |
| Safety Case or other document under Gas Safety (Management) Regulations | • None           |
| Gas Transporter Licence   | • None           |

| Other Impacts  |                  |
|--|------------------|
| Item impacted  | Potential impact |
| Security of Supply   | • None           |
| Operation of the Total System  | • None           |
| Industry fragmentation   | • None           |
| Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties | • None           |

## 6 Implementation

Since this modification relates to the Annual Application Window it would be desirable for implementation to take place prior to 01 July 2012.

As a self-governance modification, implementation could be 16 business days after a Modification Panel decision to implement.

## 7 The Case for Change

None in addition to that above.

## 8 Legal Text

### Suggested Text

#### TPD Section B Annex B-1

*Amend paragraph 3.1 to read as follows:*

#### 3 Capacity bids, capacity offers and capacity applications

- 3.1 When submitting a capacity bid, a capacity offer or a capacity application a User shall specify:
- (a) the identity of the User;
  - (b) whether the User is making a capacity bid, capacity offer or a capacity application;
  - (c) the class of NTS Exit Capacity subject to the bid, offer or a capacity application;
  - (d) the NTS Exit Point in respect of which the bid or offer is made;
  - (e) in the case of:
    - (i) an annual capacity application, the Gas Year or Gas Years,
    - (ii) a daily capacity bid or capacity offer, the Day in respect of which the bid, offer or capacity application is made;
  - (f) the amount ÷
    - ~~(i) (being not less than the minimum eligible amount) of NTS Exit (Flat) Capacity subject to the capacity bid, capacity offer or capacity application;~~
    - ~~(ii) in the case of a capacity application, being not greater than the Remaining Available NTS Exit Flat Capacity);~~
  - (g) the minimum amount (being not less than the minimum eligible amount) of NTS Exit (Flat) Capacity the User is willing to be allocated;
  - (h) in the case of a capacity bid, the amount ("**bid price**") in pence/kWh/Day, which shall not be less than the applicable reserve price, which the User is willing to pay by way of NTS Exit (Flat) Capacity Charges in respect of the NTS Exit (Flat) Capacity applied for;
  - (i) in the case of a capacity offer, the amount ("**offer price**") in pence/kWh/Day, which the User wishes to be paid in respect of the surrender of Daily NTS Exit (Flat) Capacity (which amount may be negative);
  - (j) in the case of a capacity bid or capacity offer for Daily NTS Exit (Flat) Capacity, whether it is a fixed or reducing bid or offer.

## 9 Recommendation

The Workgroup invites the Panel to:

- AGREE that Modification 0409S be submitted for consultation.