

## Stage 02: Workgroup Report

# 0449:

## Introduction of Interconnection Points and new processes and transparency requirements to facilitate compliance with the EU Congestion Management Procedures

At what stage is this document in the process?



This proposal seeks to facilitate compliance with Annex I to Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks with regards to the Congestion Management Procedures.



The Workgroup recommends that this modification should now proceed to consultation.



High Impact: Shippers and Transporters



Medium Impact: -



Low Impact: -

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<b>About this document:</b>		Licence Holder: <b>National Grid Transmission</b>
This report will be presented by the Workgroup to the Panel on <b>20 June 2013</b> .		 <b>Fergus.healy@nationalgrid.com</b>
The Panel will consider whether the modification is sufficiently developed to proceed to Consultation and to submit any further recommendations in respect of the definition and assessment of this modification.		 <b>01926 65 5031</b>
		Systems Provider: <b>Xoserve</b>
		 <b>commercial.enquiries@xoserve.com</b>

# 1 Summary

## Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification.

## Why Change?

Congestion in gas pipelines has been identified as an obstacle to a well-functioning, open and integrated gas market across the European Union. On 24 August 2012 the European Commission adopted rules to reduce congestion in European gas transmission pipelines. These rules amend the existing Annex I to the Gas Regulation (EC) no. 715/2009 and require a number of Congestion Management Procedures to be implemented by 01 October 2013. The GB arrangements set out in the UNC need to be modified to deliver this.

## Solution

This modification will introduce a new classification of System Entry Point and NTS Exit Point within the UNC. It will also put in place an oversubscription process for the AMSEC Auction, new transparency obligations and new NTS Entry and Exit Capacity surrender processes for the following entry and exit capacity products:

- NTS Entry Capacity
  - Quarterly System Entry Capacity
  - Monthly System Entry Capacity (excluding the RMSEC Auction)
- NTS Exit Capacity
  - Enduring Annual NTS Exit (Flat) Capacity
  - Annual NTS Exit (Flat) Capacity

As the CMP regulations are closely linked to the proposed Capacity Allocation Mechanism (CAM) Regulation any solution will need to be reviewed as part of CAM, the CMP oversubscription and surrender solution detailed within this Modification Proposal will be facilitated via a combination of operational processes and existing Gemini system functionality.

## Relevant Objectives

Implementation of this Modification would better facilitate the following relevant objective:

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".

## Implementation

No implementation timescales are proposed. The EU has specified that its measures to address congestion should be implemented by 1 October 2013.

Introduction of new processes will be necessary to facilitate implementation of this Modification and will be based on the use of existing system functionality. [Xoserve input awaited].

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## 2 Why Change?

On 24 August 2012 the European Commission adopted rules to reduce congestion in European gas transmission pipelines as Congestion in gas pipelines, has long been viewed as an obstacle to a well-functioning, open and integrated gas market across the European Union. The rules amend the existing Annex I to the Gas Regulation (EC) no. 715/2009 and require a number of the Congestion Management Procedures to be implemented by 01 October 2013.

The Congestion Management Procedures are to be applied only at "Interconnection Points" which is a classification of System Point that is not currently defined within the Uniform Network Code, and will cover a number of requirements:

- Long Term use it or lose it
- Firm Day Ahead use it or lose it
- Oversubscription and Buyback
- Surrender
- Transparency

However of the above, only the Oversubscription and Buyback, Surrender processes and Transparency obligations are required for 1 October 2013. Whilst oversubscription and buyback are processes that are currently catered for within the UNC the AMSEC Auction will require an oversubscription process to be put in place, a number of new surrender processes and Transparency obligations will be required in order to enact the regulation.

The oversubscription and surrender processes introduced by this modification will need to be reviewed as part of the implementation of the Capacity Allocation Mechanism (CAM) Regulation, potentially requiring the development of a CMP solution that can be applied to the CAM processes when implemented. The definition of Interconnection Points, Transparency obligations, oversubscription and surrender processes will need to be reviewed as part of the CAM implementation process.

## 3 Solution

It is proposed that ...

Start with a set of proposed new defined terms?

### Interconnection Points

An Interconnection Point may (or may not) be defined as a cross-border interconnection point (can you really define an Interconnection Point as an interconnection point?), whether it is physical or virtual (how is this defined? What does it mean?), between two or more European Union Member States (is this a UNC defined term?) as well as to interconnections between adjacent entry-exit-systems (how is this defined? What does it mean?) within the same Member State (is this a UNC defined term?), insofar as the points are subject to booking procedures by users (not Users?). Exit points to end consumers (define?) and DNO's, entry points to supply-only networks (define?), entry points from LNG-terminals and production facilities (define?), and entry/exit points to or from storage facilities will not be defined as an Interconnection Point. An Interconnection Point may be either an Aggregate System Entry Point or a NTS Exit Point (not both?).

Where an Interconnection Point forms part of an existing ASEP the Interconnection Point will remain part of this ASEP, however such an ASEP will be an Interconnection Point ASEP (IP ASEP).

### **Overview Capacity Oversubscription and Surrender Processes**

National Grid NTS shall accept the surrender of ~~\_~~ Firm NTS Entry Capacity and Firm NTS Exit (Flat) Capacity ~~held by a User~~ at an Interconnection Point, ~~where~~provided: registered? Entitlement? Holding?

- All Available Firm Capacity in the relevant period being considered has been allocated
- The quantity surrendered is for a minimum of 1 calendar month (depending on the product, see below) and in aggregate with other surrender offers can satisfy one or more sub-transaction periods of the allocation process for which the capacity has been offered for surrender.

### **NTS Entry Capacity Surrender and Oversubscription Processes**

#### QSEC Auction Surrender Process

- No ~~more-less~~ than [fifteen-~~(15)~~] Business Days prior to the issuing of the QSEC annual invitation, National Grid NTS will invite Users to surrender Firm NTS Entry Capacity at an IP ASEP (the "QSEC Surrender Invitation") [tie timing into the reservation timetable, a single invitation to both surrender and reserve]; (this would then be available for allocation to Users requesting capacity in the QSEC auction (for the purposes of this Modification such capacity will be described as Surrendered Capacity) at that IP ASEP). [possibly move to intro.]
- A surrendering User shall remain liable for all charges and liabilities associated with the capacity holding, including NTS Entry Capacity Charges, for the Surrendered Firm NTS Entry Capacity irrespective of whether or not it is subsequently allocated. ~~Where-Until~~ Surrendered Firm NTS Entry Capacity is ~~not~~ allocated the surrendering User's Available Firm NTS Entry Capacity shall remain unchanged. For the avoidance of date, overruns .....
- The Surrender Process invitation will state:
  - The IP ASEP(s)
  - The duration of the surrender window, which shall be ~~a minimum of~~ [five-~~(5)~~] Business Days

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- The details of how Users can provide their [Surrender Offer\(s\)](#) ~~to surrender capacity~~ at an Interconnection Point ASEP ~~which shall be via [Fax]~~.
  - The minimum eligible quantity of QSEC NTS Entry Capacity, which will be 100,000 kWh [per day](#).
  - That a User cannot offer to surrender a quantity greater than their Available Firm NTS Entry Capacity i.e. net of NTS Entry Capacity trades at that IP ASEP for the Quarter(s) that they are offering to surrender capacity for.
- Users wishing to take part in the QSEC Auction Surrender Process must, between 0800 and 1700 on the dates specified, provide the following information to National Grid NTS ~~via [fax]~~:
    - The IP ASEP
    - User ID
    - The maximum quantity of Firm NTS Entry Capacity per IP ASEP that they are offering to surrender. This must be equal to or greater than the minimum eligible amount of 100,000kWh/day
    - The minimum quantity of Firm NTS Entry Capacity per IP ASEP that they are offering to surrender. This must be equal to or greater than the minimum eligible amount of 100,000kWh/day and less than or equal to the maximum quantity detailed above
    - The calendar quarter(s) for which the surrender offer applies (these do not have to be consecutive quarters); and
    - Confirmation that the User holds the Firm NTS Entry capacity [\[and will continue to hold the Firm NTS entry Capacity until the QSEC allocation process is complete\]](#).
  - Where such confirmation required in the above paragraph is not received National Grid NTS will not accept the NTS Entry Capacity Surrender Offer.
  - Users may submit more than one Surrender Offer but may not submit more than one ~~(1)~~ Surrender Offer per calendar quarter per IP ASEP. ~~A~~ submitted offer may cover multiple quarters and must fall within the quarters that can be allocated within the relevant QSEC auction
  - Users can amend or withdraw their offers at any time between 08:00 and 17:00 hours on each invitation date until 17:00 hours on the last day of the ~~S~~surrender ~~W~~window
  - Users will be informed by the QSEC ~~i~~invitation ~~letter~~ of the aggregate quantity of Firm NTS Entry Capacity that has been ~~provisionally offered for~~ ~~surrendered~~ and the quarter(s) that it ~~has~~ been ~~offered~~ ~~made available for~~.
  - Where National Grid NTS has received bids that in aggregate exceed the quantity of unsold obligated NTS Entry Capacity that has been made available in the QSEC Auction, Surrendered Firm NTS Entry Capacity will be allocated before both Discretionary NTS Entry Capacity and Incremental NTS Entry Capacity.
  - The ~~allocation of~~ surrendered Firm NTS Entry Capacity ~~to allocated other~~ Users who have requested Firm NTS Entry Capacity will be ~~effected through the~~ [released by National Grid NTS of as](#) Discretionary NTS Entry Capacity and, [consequently](#), will feed into the Capacity [Neutrality](#) arrangements.
  - A User(s) will pay, [when due](#), NTS Entry Capacity Charges for any Firm NTS Entry Capacity allocated through this process i.e. the quantity of NTS Entry Capacity allocated multiplied by the QSEC Auction cleared price multiplied by the relevant period for which capacity has been allocated. The surrendering

User will receive the cleared price paid for the surrendered Firm NTS Entry Capacity allocated when its time comes. [Ensure this matches the period for the capacity charge and the credit for surrendering.]

- Surrendered Firm NTS Entry Capacity allocated through this process shall be;
  - utilised in respect of overrun calculations i.e. the [Surrendering] User's Available NTS Entry Capacity will reflect ~~either both~~ the NTS Entry Capacity bought or surrendered and the allocated price will ~~feed through to be considered in~~ the overrun price calculation.
  - subject to the provisions of UNC Section V3 ~~→~~ as ~~now for all other allocation processes~~, if a User fails to meet these provisions then their NTS Entry Capacity bids will be rejected.
- Where more than one User has surrendered Firm NTS Entry Capacity, all unsold Firm NTS Entry Capacity has been allocated and the aggregate quantity of surrendered NTS Entry Capacity exceeds the remaining unsatisfied bid quantities, the Surrender Offers will be prorated. Where the resulting prorated quantity is less than the Minimum Amount specified by the User then the Surrender offer will be rejected and the pro-ration recalculated for the remaining Surrender offers. If this means it doesn't work, then go for first come first served.
- Where Surrendered Firm NTS Entry Capacity is to be allocated National Grid NTS will effect the NTS Entry Capacity Surrender on the Users# behalf
- National Grid NTS will effect the capacity surrender through a ~~n amended~~ Forward Agreement(s). This will not require the User(s) to undertake any actions on National Grid NTS' systems or for National Grid NTS to issue a Forward Agreement Tender Invitation Notice.
- National Grid NTS will use a ~~n amended~~ Forward Agreement(s) to adjust the surrendering Users Available Firm NTS Entry Capacity to reflect the quantity of surrendered Firm NTS Entry Capacity allocated in the QSEC Auction for the relevant quarter(s)
- National Grid NTS will update its systems on behalf of each surrendering User within [Five ~~(5)~~] Business Days of the allocation of the surrendered NTS Entry Capacity
- Each Forward Contract will detail:
  - IP ASEP
  - User ID
  - The duration, this may be for a quarter or number of quarters (non consecutive quarters may be reflected through the use of multiple contracts)
  - The Maximum Forward Quantity (kWh/day) – The Firm NTS Entry Capacity that has been surrendered ~~and allocated~~
  - Price – the price that is paid to Users for the surrendered NTS Entry Capacity which in this instance will be the Cleared price of the relevant quarter(s) in the relevant QSEC Auction
- Once National Grid NTS has updated the relevant systems it will provide each surrendering User at the IP ASEP details of their accepted Surrenders i.e.
  - The duration
  - IP ASEP
  - The Maximum Forward Quantity (kWh/day) – The Firm NTS Entry Capacity that has been surrendered ~~and allocated~~
  - Price

- Allocated surrendered Firm NTS Entry Capacity shall be included in the User's aggregate Available NTS Entry Capacity (determined as fully adjusted) to determine the Users overrun quantity and be considered when calculating the Overrun Price.
- Allocated surrendered Capacity shall be deducted from the surrendering Users aggregate Available NTS Entry Capacity (determined as fully adjusted) to determine the Users overrun quantity and be considered when calculating the Overrun Price.
- The Forward Agreement will be treated as an NTS Entry Capacity Constraint Management Cost and feed into NTS Entry Capacity Neutrality in accordance with UNC TPD B2.13.2 and the Constraint Management Incentive. Amounts payable from the Surrender Forward Agreement will be treated as NTS Entry Capacity Surrender Charges and be invoiced and payable in accordance UNC TPD Section S. The surrender User will be invoiced for their original NTS Entry Capacity allocation and will then receive a credit for the surrendered NTS Entry Capacity that is allocated to another User via the QSEC auction. This will be done via the existing invoicing processes and hopefully at the same time with luck.

#### AMSEC Auction Surrender and Oversubscription processes

- No more than [fifteen (15)] Business Days prior to the issuing of the AMSEC annual invitation National Grid NTS will invite Users to surrender Firm NTS Entry Capacity at an IP ASEP (the "AMSEC Surrender Invitation"), for allocation to Users requesting capacity in the AMSEC auction (for the purposes of this Modification such NTS Entry Capacity will be described as Surrendered Capacity) at that IP ASEP.
- A surrendering User shall remain liable for NTS Entry Capacity Charges for the Surrendered Firm NTS Entry Capacity irrespective of whether it is subsequently allocated. Where Surrendered Firm NTS Entry Capacity is not allocated then the surrendering Users Available Firm NTS Entry Capacity shall remain unchanged.
- The Surrender Process invitation will state:
  - The IP ASEP(s)
  - The duration of the surrender window, which shall be a minimum of [five (5)] Business Days
  - The details of how Users can provide their offer(s) to surrender capacity at an IP ASEP, which shall be via [Fax].
  - The minimum eligible quantity of AMSEC NTS Entry Capacity surrender offers which will be 100,000 kWh.
  - That a User cannot offer to surrender a quantity greater than their Available Firm NTS Entry Capacity i.e. net of NTS Entry Capacity at that IP ASEP for the month(s) that they are offering to surrender AMSEC capacity for.
- Users wishing to take part in the AMSEC Auction Surrender Process must, between 0800 and 1700 on the dates specified, provide the following information to National Grid NTS via [Fax]:
  - The IP ASEP
  - User ID
  - The maximum quantity of Firm NTS Entry Capacity per IP ASEP that they are offering to surrender. This must be equal to or greater than the minimum eligible amount of 100,000kWh/day
  - The minimum quantity of Firm NTS Entry Capacity per IP ASEP that they are offering to surrender. This must be equal to or greater than



the minimum eligible amount of 100,000kWh/day and less than or equal to the maximum quantity detailed above

- The calendar month(s) for which the surrender offer applies (these do not have to be consecutive months); and
  - Confirmation that the User holds the Firm NTS Entry Capacity and will continue to hold the Firm NTS Entry Capacity until the allocation process is complete.
- Where such confirmation required in the above paragraph is not received National Grid NTS will not accept the Firm NTS Entry Capacity Surrender Offer.
  - Users may submit more than one (1) Surrender Offer but may not submit more than one (1) Surrender Offer per calendar month per IP ASEP, a submitted offer may cover multiple months and must fall within the months that can be allocated within the AMSEC auction
  - Users can amend or withdraw their offers at any time between 08:00 and 17:00 hours on each invitation date until 17:00 hours on the last day of the surrender window
  - Users will be informed by the AMSEC invitation letter of the aggregate quantity of Firm NTS Entry Capacity that has provisionally been surrendered and the months that it has been made available for.
  - National Grid NTS may also choose to make additional Discretionary Firm NTS Entry Capacity available through this process.
  - Where National Grid NTS has received bids that in aggregate exceed the quantity of unsold obligated NTS Entry Capacity that has been made available in tranche 4 of the AMSEC Auction, Surrendered Firm NTS Entry Capacity will be allocated and Discretionary NTS Entry Capacity may also be allocated to any unsatisfied tranche 4 bids via an adhoc allocation process (the AMSEC Surrender and Oversubscription Auction)
  - National Grid NTS will enact the AMSEC Surrender and Oversubscription Auction on behalf of Users through the use of an amended DRSEC Auction.
  - National Grid NTS will place all unsatisfied AMSEC tranche 4 bid quantities in the Surrender and Oversubscription Auction and each bid shall specify (please note that these bids will be the same as the original AMSEC bid(s) submitted in tranche 4 of the AMSEC auction except where pro-rated in the tranche 4 allocation):
    - User ID
    - The IP ASEP
    - The Month(s) for which Firm NTS Entry Capacity is applied for
    - The amount applied for, which shall not be less than a minimum eligible amount of 100,000kWh/day
    - The minimum amount which the User is willing to be allocated (except where a bid has been part allocated within Tranche 4), which shall not be less than 100,000kWh/day
    - The bid price which the User is willing to pay by way of NTS Entry Capacity Charges, which shall not be less than the prevailing AMSEC reserve price at the IP ASEP at which the User had placed its original bid
  - National Grid NTS will reject a bid where:
    - Any requirements of the paragraph above are not complied with

- In accordance with UNC TPD Section V3
- Surrendered Firm NTS Entry Capacity and any Discretionary NTS Entry Capacity that National Grid NTS releases, will be allocated as follows:
  - All bids will be ranked in order of bid price with the highest ranked first
  - Surrendered Firm NTS Entry Capacity will be allocated first to the highest priced bid(s)
  - Where the amount of Firm NTS Entry Capacity applied for under a bid exceeds any remaining unallocated Surrendered Firm NTS Entry Capacity, after allocation to higher priced bids and National Grid NTS does not choose to release Discretionary NTS Entry Capacity, the User will be allocated an amount equal to the remaining unallocated amount (subject to the minimum amount criteria unless previously part allocated within Tranche 4)
  - Where two or more bids specify the same bid price and the amount of Firm NTS Entry Capacity applied for exceeds any remaining unallocated Surrendered NTS Entry Capacity, where National Grid NTS does not choose to release Discretionary NTS Entry Capacity, the bids will be allocated prorata to the amounts applied for in each such bid (subject to the minimum amount criteria unless previously part allocated within Tranche 4). Where any such bids are rejected (due to the Minimum Amount) the remaining bid(s) at that price shall be allocated/pro-rated.
  - Bids may be allocated with a combination of both Surrendered and Discretionary Firm NTS Entry Capacity however Discretionary NTS Entry Capacity will be only be utilised where:
    - National Grid NTS in its sole discretion chooses to make it available; and
    - no NTS Entry Capacity has been surrendered; or
    - the available surrendered NTS Entry Capacity has been allocated
  - Each User whose bid is accepted will be registered as holding Firm NTS Entry Capacity (for the amount allocated) for the relevant Month(s) at that IP ASEP
- The allocation of surrendered Firm NTS Entry Capacity to Users who have requested Firm NTS Entry Capacity will also be via the release of Discretionary Firm NTS Entry Capacity and will feed into the capacity neutrality arrangements
- A User(s) allocated Firm NTS Entry Capacity will pay NTS Entry Capacity Charges for any Firm NTS Entry Capacity allocated through this process i.e. the quantity of Firm NTS Entry Capacity allocated multiplied by the Bid price multiplied by the relevant period for which capacity has been allocated.
- The surrendering User will receive the Weighted Average Price of all the bids allocated surrendered Firm NTS Entry Capacity for that month at that IP ASEP.
- Surrendered Firm NTS Entry Capacity allocated through this process shall be;
  - utilised in respect of NTS Entry overrun calculations i.e. the User's Available Firm NTS Entry Capacity will reflect either the NTS Entry Capacity bought or surrendered and the allocated price will feed through to the overrun price calculation .
  - subject to the provisions of UNC Section V3, as now if a User fails to meet these provisions then their NTS Entry Capacity bids will be rejected.
- No later than two (2) Business Days prior to the first day of the period to which the AMSEC Auction relates, National Grid NTS will inform each User of:
  - those of its capacity bids that have been accepted,

- the amount of Firm NTS Entry Capacity which it is registered as holding for the IP ASEP and the relevant period (for clarification the relevant period will be the period for which the capacity has been allocated) via the AMSEC Surrender process and or Oversubscription process.
- No later than one (1) Business Day prior to the first day of the period to which the AMSEC relates, National Grid NTS will provide information to all Users in accordance with UNC Section B paragraph 2.14.2 other than sub paragraphs (a), (b) and (h).
- Where more than one User has surrendered Firm NTS Entry Capacity and all unsold Firm NTS Entry Capacity has been allocated, if the aggregate quantity of surrendered Firm NTS Entry Capacity exceeds the remaining unsatisfied bid quantities, the Surrender Offers will be prorated. Where the resulting prorated quantity is less than the Minimum Amount specified by the surrender User then the AMSEC Surrender offer will be rejected and the proration recalculated for the remaining Surrender offers.
- Where Surrendered Firm NTS Entry Capacity is required to be re-allocated National Grid NTS will effect the Firm NTS Entry Capacity Surrender on their behalf.
- National Grid NTS will reject or pro-rate a surrender offer where a User does not hold sufficient Available Firm NTS Entry Capacity at that IP ASEP for the period for which the Surrender Offer has been made.
- National Grid NTS will effect the capacity surrender on behalf of the surrendering User through an amended Forward Agreement. This will not require the User(s) to undertake any actions on National Grid NTS' systems or for National Grid NTS to issue a Forward Agreement Tender Invitation Notice.
- National Grid NTS will use the Forward Contract to adjust the surrendering Users Available Firm NTS Entry Capacity to reflect the quantity of surrendered Firm NTS Entry Capacity allocated in the AMSEC Surrender and Oversubscription Auction for the relevant month(s)
- National Grid NTS will update its systems on behalf of each surrendering User within [Five (5)] Business Days of the allocation of the surrendered Firm NTS Entry Capacity
- Each Forward Contract will detail:
  - IP ASEP
  - The duration, this may be for a Month or consecutive months
  - The Maximum Forward Quantity (kWh/day) for each month(s) – The Firm NTS Entry Capacity that has been surrendered and re-allocated
  - Price – the price that is paid to the User for the surrendered Firm NTS Entry Capacity which in this instance will be the Weighted Average Price (WAP) in respect of all bids that were allocated with surrendered Firm NTS Entry Capacity for the relevant month in the AMSEC Surrender and Oversubscription Auction
    - A separate WAP may be applicable for each relevant month
- Once National Grid NTS has updated the relevant systems it will provide each surrendering User at the IP ASEP details of their accepted Surrenders i.e.
  - The duration
  - IP ASEP
  - The Maximum Forward Quantity (kWh/day)

- Price
- Allocated surrendered Firm NTS Entry Capacity shall be included in the Users aggregate Available Firm NTS Entry Capacity (determined as fully adjusted) to determine the Users NTS Entry Capacity overrun quantity and be considered when calculating the overrun price.
- Allocated surrendered Capacity shall be deducted from the surrendering Users aggregate Available NTS Entry Capacity (determined as fully adjusted) to determine the User's NTS Entry Capacity overrun quantity and be considered when calculating the overrun price.
- The Forward Agreement will be treated as an NTS Entry Capacity Constraint Management Cost and feed into NTS Entry Capacity Neutrality in accordance with UNC TPD B2.13.2 and the Constraint Management Incentive. Amounts payable from the Forward Agreement will be treated as NTS Entry Capacity Surrender Charges and be invoiced and payable in accordance with UNC TPD Section S. The surrendering User will be billed for their original allocation and will then receive a credit for its surrendered NTS Entry Capacity allocated to another User via the AMSEC surrender auction. This will be done via the existing invoicing processes.

## **NTS Exit Capacity Surrender Processes**

### Enduring Annual NTS Exit (Flat) Capacity Surrender Process

- No more than [fifteen (15)] Business Days prior to the issuing of the invitation to participate in the NTS Exit (Flat) Capacity Annual Application Window (the July Application Window) National Grid NTS will invite Users to surrender Enduring Annual NTS Exit (Flat) Capacity at an Interconnection Point (IP) NTS Exit Point from their Registered Firm NTS Exit (Flat) Capacity (the "Enduring Annual Surrender Invitation"), for allocation to Users requesting Enduring Annual NTS Exit (Flat) Capacity in the July Application Window (for the purposes of this Modification such capacity will be described as Surrendered Capacity) at that IP NTS Exit Point.
- Where Surrendered NTS Exit Capacity is not allocated the surrendering User shall remain the holder of the Enduring Annual NTS Exit (Flat) Capacity for all purposes.
- The Surrender Process invitation will state:
  - The IP NTS Exit Point(s)
  - The duration of the surrender window, which shall be a minimum of [five (5)] Business Days
  - The details of how Users can provide their offers to surrender capacity at an IP NTS Exit Point which shall be via [Fax].
  - The minimum eligible quantity of Enduring Annual NTS Exit (Flat) Capacity surrender offers which shall be 100,000 kWh.
  - That Users cannot offer to surrender a quantity greater than their Available Enduring Annual NTS Exit (Flat) Capacity i.e. net of NTS Exit Capacity trades, Reductions and Assignments (including any Reduction Notices that have been submitted within the July Reduction Window which National Grid NTS has not yet given effect) at that IP NTS Exit Point that they are offering to surrender Firm Enduring Annual NTS Exit (Flat) Capacity for
- Users wishing to take part in the Surrender Process must, between 0800 and 1700 on the dates specified, provide the following information to National Grid NTS via [Fax]:
  - The IP NTS Exit Point

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- User ID
  - The maximum quantity of Enduring Annual NTS Exit (Flat) Capacity per IP NTS Exit Point that they are offering to surrender. This must be equal to or greater than the minimum eligible amount of 100,000kWh/day
  - The minimum quantity Enduring Annual NTS Exit (Flat) Capacity per IP NTS Exit Point that they are offering to surrender. This must be equal to or greater than the minimum eligible amount of 100,000kWh/day and less than or equal to the maximum quantity detailed above
  - The start date for which the surrender offer applies, which must be the 1<sup>st</sup> day of a calendar month and cannot be earlier than the 1 October Y+4 or later than 1 October Y+6; and
  - Confirmation that the User holds the Enduring Annual NTS Exit (Flat) Capacity and will continue to hold the Enduring Annual NTS Exit (Flat) Capacity until the allocation process is complete.
- Where confirmation required by the above paragraph is not received National Grid NTS will not accept the Enduring Annual NTS Exit (Flat) Capacity Surrender Offer.
  - An allocated surrender offer cannot result in a User holding a negative quantity of Enduring Annual NTS Exit (Flat) Capacity
  - Users may submit no more than one (1) Surrender Offer per IP NTS Exit Point for Enduring Annual NTS Exit (Flat) Capacity
  - Users can amend or withdraw their NTS Exit Capacity Surrender offers at any time between 08:00 and 17:00 hours on each invitation date until 17:00 hours on the last day of the surrender window.
  - Users will be informed of the aggregate quantities of Enduring Annual NTS Exit (Flat) Capacity that have been offered for surrender and the calendar month from which it is available, via the Invitation to participate in the July Application Window.
  - Where National Grid NTS has received applications that in aggregate exceed the quantity of unsold Enduring Annual NTS Exit (Flat) Capacity that has been made available in the July Application Window, Surrendered Enduring Annual NTS Exit (Flat) Capacity will be allocated before incremental Enduring Annual NTS Exit (Flat) Capacity
  - The allocation of surrendered capacity will be through the release of Enduring Annual NTS Exit (Flat) Capacity
  - Enduring Annual NTS Exit (Flat) Capacity allocated via this process will be subject to User Commitment as determined in accordance with the principles of the prevailing Exit Capacity Release Methodology Statement
  - A User allocated surrendered Enduring Annual NTS Exit (Flat) Capacity, will pay the Applicable Daily Rate at the IP NTS Exit Point
  - Surrendered Enduring Annual NTS Exit (Flat) Capacity allocated through this process shall be;
    - Utilised in respect of overrun calculations i.e. the User's Registered and Available Enduring Annual NTS Exit (Flat) Capacity will reflect the Enduring Annual NTS Exit (Flat) Capacity either bought or surrendered. And the allocated price will feed through to the overrun price calculation
    - subject to the provisions of UNC Section V3, as now if a User fails to meet these provisions then their Enduring Annual NTS Exit (Flat) Capacity application will be rejected.

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- Where more than one User has surrendered Enduring Annual NTS Exit (Flat) Capacity and all unsold Enduring Annual NTS Exit (Flat) Capacity can be allocated. If the aggregate quantity of surrendered Enduring Annual NTS Exit (Flat) Capacity exceeds the remaining application quantities, the surrender offers will be prorated. Where the resulting prorated quantity is less than the Minimum Amount specified by the User then the Surrender Offer will be rejected and the proration recalculated for the remaining Surrender Offers.
- National Grid NTS will effect the Enduring Annual NTS Exit (Flat) Capacity surrender through the existing Enduring Annual NTS Exit (Flat) Capacity Reduction process functionality. This will not require the User(s) to undertake any actions on the National Grid NTS system
- National Grid NTS will update its system on behalf of each surrendering User after the closure of the July Application Window and prior to the completion of the Enduring Annual NTS Exit (Flat) Capacity allocation process on 30 September in Gas Year Y.
- National Grid NTS will then notify the surrendering User of the following details:
  - IP NTS Exit Point
  - The User Reduction Date, which must be the 1<sup>st</sup> Day of a calendar Month and cannot be earlier than 1 October Y+4 or later than 1 October Y+6
  - The amount of Enduring Annual NTS Exit (Flat) Capacity that the User will be registered as holding at the IP NTS Exit Point from the User Reduction Date
- Allocated surrendered Enduring Annual NTS Exit (Flat) Capacity shall be included in the Users Registered and Available Enduring Annual NTS Exit (Flat) Capacity (determined as fully adjusted), at the IP NTS Exit Point, to determine the User's overrun quantity.
- Allocated surrendered Enduring Annual NTS Exit (Flat) Capacity shall be deducted from the surrendering Users Registered and Available NTS Exit (Flat) Capacity (determined as fully adjusted), at the IP NTS Exit Point, to determine the Users overrun quantity.
- The surrendering User shall not be invoiced or credited for any surrender quantity that is allocated through this process.

#### Annual NTS Exit (Flat) Capacity Surrender Process

- No more than [fifteen (15)] Business Days prior to the issuing of the invitation to participate in the NTS Exit (Flat) Capacity Annual Application Window (the July Application Window) National Grid NTS will invite Users to surrender Annual NTS Exit (Flat) Capacity at an IP NTS Exit Point from their Available Annual NTS Exit (Flat) Capacity holdings (the "Annual Surrender Invitation"), for allocation to Users requesting Annual NTS Exit (Flat) Capacity in the July Application Window (for the purposes of this Modification such capacity will be described as Surrendered Capacity) at that IP NTS Exit Point.
- A surrendering User shall remain liable for NTS Exit Capacity Charges for the Surrendered Annual NTS Exit (Flat) Capacity irrespective of whether it is subsequently allocated. Where surrendered Annual NTS Exit (Flat) Capacity is not allocated then the surrendering Users Available Annual NTS Exit (Flat) Capacity shall remain unchanged.
- The Surrender Process invitation will state:
  - IP NTS Exit Point(s)
  - The duration of the surrender window, which shall be a minimum of [five (5)] Business Days

- The details of how Users can provide their offer to surrender capacity at an IP NTS Exit Point which shall be via [Fax].
- The minimum eligible quantity of Annual NTS Exit (Flat) Capacity surrender offers which will be 100,000 kWh.
- That Users cannot offer to surrender a quantity greater than their Available Annual NTS Exit (Flat) Capacity i.e. net of NTS Exit Capacity trades and Assignments for that Gas Year at that IP NTS Exit Point
- Users wishing to take part in the Surrender Process must, between 0800 and 1700 on the dates specified, provide the following information to National Grid NTS via [Fax]:
  - User ID
  - The IP NTS Exit Point;
  - The maximum quantity of Annual NTS Exit (Flat) Capacity per IP NTS Exit Point that they are offering to surrender. This must be equal to or greater than the minimum eligible amount of 100,000kWh/day
  - The minimum quantity of Annual NTS Exit (Flat) Capacity per IP NTS Exit Point that they are offering to surrender. This must be equal to or greater than the minimum eligible amount of 100,000kWh/day and less than or equal to the maximum quantity detailed above
  - The start date of the surrender offer which shall be 1 October Y+1
  - Confirmation that the User holds the Annual NTS Exit (Flat) Capacity and will continue to hold the Annual NTS Exit (Flat) Capacity until the allocation process is complete.
- Where such confirmation required in the above paragraph is not received National Grid NTS will not accept the Annual NTS Exit (Flat) Capacity Surrender Offer.
- Users may submit no more than one (1) Surrender Offer per IP NTS Exit Point for Annual NTS Exit (Flat) Capacity
- Users can amend or withdraw their Surrender Offer at any time between 08:00 and 17:00 hours on each invitation date until 17:00 hours on the last day of the surrender window
- Users will be informed of the aggregate quantity of Annual NTS Exit (Flat) Capacity made available for surrender and the period i.e. Y+1 via the Invitation to participate in the July Application Window.
- Where National Grid NTS has received Annual NTS Exit (Flat) applications that in aggregate exceed the quantity of unsold Annual NTS Exit (Flat) Capacity that has been made available in the July Application Window, Surrendered Annual NTS Exit (Flat) Capacity will then be allocated.
- National Grid NTS may also allocate additional Discretionary NTS Exit (Flat) Capacity after the allocation of surrendered Annual NTS Exit (Flat) Capacity.
- The allocation of surrendered Annual NTS Exit (Flat) Capacity will also be effected through the release of Discretionary Annual NTS Exit (Flat) Capacity.
- Surrendered Annual NTS Exit (Flat) Capacity allocated through this process shall be;
  - Utilised in respect of overrun calculations i.e. the User's Registered and/or Available Annual NTS Exit (Flat) Capacity will reflect the Annual NTS Exit (Flat) Capacity either bought or surrendered as appropriate and the allocated price will feed through to the overrun price calculation.



- subject to the provisions of UNC Section V3, as now if a User fails to meet these provisions then their NTS Exit Capacity applications will be rejected.
- Where the unsold Annual NTS Exit (Flat) Capacity has been allocated, more than one User has surrendered Annual NTS Exit (Flat) Capacity and the aggregate quantity of surrendered NTS capacity exceeds the requested application quantities, the Surrender Offers will be prorated accordingly. Where this proration is less than the Minimum Amount specified by the User then the Surrender Offer will be rejected and the proration will be recalculated for those remaining Surrender Offers.
- Where Surrendered Annual NTS Exit (Flat) Capacity is to be allocated National Grid NTS will effect the Annual NTS Exit (Flat) Capacity Surrender on their behalf
- National Grid NTS will reject or prorate an Annual NTS Exit (Flat) Capacity surrender offer where a User does not hold sufficient Available Annual NTS Exit (Flat) Capacity at that IP NTS Exit Point for the period for which the Surrender Offer has been made.
- National Grid NTS will effect the Capacity surrender through an amended Forward Agreement. This will not require the User(s) to undertake any actions on National Grid NTS' systems or for National Grid NTS to issue a Forward Agreement Tender Invitation Notice.
- National Grid NTS will use an amended Forward Agreement to adjust the surrendering Users Available Annual NTS Exit (Flat) Capacity to reflect the quantity of surrendered Annual NTS Exit (Flat) Capacity allocated in the Annual NTS Exit (Flat) Capacity Application process.
- National Grid NTS will update its systems on behalf of each Surrendering User within [Five (5)] Business Days of the allocation of the surrendered Annual NTS Exit (Flat) Capacity
- Each Forward Contract will detail:
  - User ID
  - IP NTS Exit Point
  - The duration – which will be 1 October Y+1 to 30 September Y+1
  - The Maximum Forward Quantity (kWh/day) – The Annual NTS Exit (Flat) Capacity that has been surrendered and re-allocated
  - Price – the price that is paid to the User for the surrendered NTS Exit (Flat) Capacity which will be the Firm NTS Exit (Flat) Capacity charge applicable for the Gas Year for which the capacity has been surrendered
- Where a User has been allocated surrendered Annual NTS Exit (Flat) Capacity it shall be included in that Users aggregate Available NTS Exit Capacity (determined as fully adjusted) to determine the User's overrun quantity and be considered when calculating the overrun price
- Allocated surrendered Annual NTS Exit (Flat) Capacity shall be deducted from the surrendering Users aggregate Available Annual NTS Exit (Flat) Capacity (determined as fully adjusted) to determine the User's NTS Exit Capacity overrun quantity and be considered when calculating the overrun price.
- Amounts payable from the Surrender Forward Agreement will be treated as Capacity Surrender Charges and be invoiced and payable in accordance UNC TPD Section S. The surrender User will be invoiced for their original allocation and will receive a credit for the surrendered Annual NTS Exit (Flat) Capacity that is allocated to another User via the Surrender process. This will be done via existing invoicing processes.



The CMP Transparency obligations require that National Grid NTS publish on a quarterly basis;

- At an IP NTS Exit Point - For Enduring Annual NTS Exit (Flat) Capacity and Annual NTS Exit (Flat) Capacity, the occurrences and volumes of valid requests for Firm Capacity with a duration of one month or longer including the number and volume of unsuccessful requests i.e.
  - The IP NTS Exit Point
  - Contract type, which will be whether the occurrence is an application for Enduring Annual NTS Exit (Flat) Capacity or Annual NTS Exit (Flat) Capacity
  - Application start date, which is the Gas Year in respect of which the application is made
  - Application quantity, which is the amount of NTS Exit (Flat) Capacity applied for
  - Allocated amount, which is the amount of NTS Exit (Flat) Capacity allocated
- At an IP NTS Exit Point the total Firm NTS Exit (Flat) Capacity made available via:
  - The CMP surrender process[es]
  - The CMP oversubscription and buyback process[es]
- At an IP ASEP the total Firm NTS Entry Capacity made available via:
  - The CMP surrender process[es]
  - The CMP oversubscription and buyback process[es]
- The above information will be published no later than [5 Business Days] after the last Day of each calendar quarter.

At an IP ASEP for Firm Quarterly and Monthly NTS Entry Capacity allocation processes i.e. Auctions with a duration of one month or longer, where and when they have cleared at prices higher than the Reserve Price, National Grid NTS will publish;

- The IP ASEP
- The allocation process
- The reserve price
- The cleared price, which will be;
  - The relevant QSEC clearing (Step) price
  - The AMSEC [WAP] [Maximum Price] by tranche
  - The RMSEC [WAP] [Maximum Price]
- This information will be published no later than [5 Business Days] after the allocation of the relevant auction process

At IP ASEPs and IP NTS Exit Points, where and when no Firm Capacity with a duration of one month or longer has been offered in the allocation process, National Grid NTS will publish;

- The IP ASEP and/or IP NTS Exit Point
- The relevant allocation process
- This information will be published no later than [5 Business Days] after allocation of the relevant auction and/or application process.

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification

This modification is not proposed to be User Pays as existing system functionality will be utilised.

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view

NA

Proposed charge(s) for application of User Pays charges to Shippers

NA

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve

NA

## 4 Relevant Objectives

Impact of the modification on the **Relevant Objectives:**

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
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.	Positive

Implementation of this Modification would better facilitate the following relevant objective.

[Given the EU has done this for competition, how is competition impacted?](#)

[If this is good for IPs, why is it not good everywhere? If it is, why is it not unduly discriminatory to do it at IPs only?](#)

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".

## 5 Implementation

The Workgroup has not proposed a timescale for implementation of this modification, but would suggest that it is implemented at the earliest practical opportunity.

## 6 Legal Text

### Text

[The following Text has been prepared by National Grid NTS, and no issues were raised by the Workgroup regarding its content.]

## 7 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for Consultation.