

0501/A/B/C:

Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations,

A = including capacity return option.

B = including a restricted capacity return option.

C = including a capped capacity return option and an aggregate overrun regime

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

These modification seek to facilitate compliance with Commission Regulation (EU) No 984/2013 (Capacity Allocation Mechanisms) and continued compliance with Annex I to regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks with regards to the Congestion Management Procedures.



The Workgroup recommends that these modifications should be issued to consultation.











High Impact:
Shippers and National Grid NTS



Medium Impact:
None



Low Impact:
None

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| About this document: | | |
| This report will be presented to the panel on 15 January 2015. | | |
| The panel will consider whether the modification should proceed to consultation or be returned to the workgroup for further assessment. | | |
| The Workgroup recommends the following timetable: | | |
| Workgroup Report presented to Panel | 15 January 2015 | |
| Draft Modification Report issued for consultation | 16 January 2015 | |
| Consultation Close-out for representations | 06 February 2015 | |
| Final Modification Report presented to Panel | 11 February 2015 | |
| UNC Modification Panel recommendation | 19 February 2015 | |

1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that these modifications are not suitable as self-governance modifications because they are likely to have a material impact on commercial activities connected with the transportation of gas conveyed via the National Transmission System impact on National Grid NTS and Users in respect of NTS Entry Capacity at Bacton.

Why Change?

On 14 October 2013 the European Commission adopted rules (EU Regulation 984/2013) establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems (CAM), which seek to harmonize transparent and non-discriminatory access to transmission capacity at applicable interconnection points across the European Union. These rules supplement Regulation (EC) 715/2009 and integrate with Congestion Management Procedures. As a consequence of these, changes to the UNC are required to ensure compliance.

In order to ensure that CAM/CMP procedures are only applied at Interconnection Points (IPs), the existing Bacton ASEP within the GT Licence which National Grid Gas holds in respect of the NTS will need to be split into two new ASEPs (Bacton UKCS ASEP and Bacton IP ASEP)¹. Existing UNC processes would continue to apply at the new Bacton UKCS ASEP and newly developed CAM processes would then apply at the new Bacton IP ASEP.

As long-term bookings have already been allocated for NTS Entry Capacity at the Bacton ASEP for the period after the planned implementation of CAM, the booked capacity will need to be reallocated between the two new ASEPs, this is to ensure that CAM/CMP procedures are only applicable at the Bacton IP ASEP.

A number of concerns have been raised concerning the impacts on long term capacity booking and the impacts on current contractual positions. This has generated three alternative modifications, each proposing a different approach to managing capacity bookings for Bacton.

Solution

Modification 0501 introduces a one-off process to enable Users to indicate where they wish their Registered NTS Entry Capacity rights at the existing Bacton ASEP to be held following implementation of CAM. The process will be held after the March 2015 auction for Quarterly NTS Entry Capacity has been allocated, and will only apply to those NTS Entry Capacity rights held by Users at the existing Bacton ASEP from 01 November 2015 onwards.

Users will be invited to indicate for each Month over the period 01 November 2015 to 30 September 2016 and each Quarter from 01 October 2016 to 30 September 2031² (as relevant) where they wish their existing NTS Entry Capacity rights to be held between the newly created Bacton UKCS and Bacton IP ASEPs.

Where the aggregate level of Users' capacity holdings at each new ASEP are less than or equal to the proposed new obligated levels at each of the new ASEPs, their NTS Entry Capacity reallocations will be granted in full. If this is not the case, a further invitation and allocation process will be undertaken. If after two such processes have been followed, the aggregate level of Users' capacity holdings is still in excess

¹ Note that this will be the subject of an Ofgem consultation. The process described in this Modification can only be applied once the relevant changes to the GT Licence have been directed (including the setting of the proposed Obligated levels of NTS Entry Capacity to apply at the Bacton UKCS ASEP and the Bacton IP ASEP).

² The invitation will specify months for the initial year of the period as the NTS Entry Capacity could have been bought through either AMSEC or QSEC auctions so different amounts of NTS Entry Capacity could be held for different months. Whereas for the period 1 October 2016 onwards, the capacity could only have been bought in QSEC auctions and so the amounts of NTS Entry Capacity will only vary per quarter.

of the proposed obligated levels at either of the two new ASEPs, National Grid NTS will re-apportion the holdings such that the obligated levels are not exceeded by the aggregate level of capacity holdings.

National Grid NTS will write to inform Users of the results of the capacity reallocation process by the 30th of September 2015 at the latest.

Modification 0501A mirrors the Modification 0501 one-off process to enable Users to indicate where they wish their Registered NTS Entry Capacity rights at the existing Bacton ASEP to be held following implementation of CAM, with the addition of a one-off opportunity for Users to return capacity to National Grid NTS. Capacity can be returned both at the start of the allocation process and at the end, if capacity were to be allocated at an ASEP in excess of that indicated by the user.

Modification 0501B mirrors the Modification 0501 one-off process to enable Users to indicate where they wish their Registered NTS Entry Capacity rights at the existing Bacton ASEP to be held following implementation of CAM. Users may not return capacity at the beginning of the allocation process but ultimately are able to return the capacity that may have been allocated at one of the newly created ASEP, which exceeds the allocation the user requested following the Bacton Capacity Final Reallocation Invitation.

Modification 0501C mirrors the Modification 0501A one-off process with capacity return but limits users to return only up to a maximum proportion of their existing NTS Entry Capacity at Bacton. The proportion will be defined once the Bacton ASEP obligated capacity split is confirmed by Ofgem after their current consultation on the CAM Gas Transporters licence changes and would be 72.77% under the current proposal.

In addition Residual Capacity that remains at the conclusion of the allocation process will continue to enjoy current Bacton ASEP flexibility through an aggregate overrun regime across the two new Bacton ASEPS and the provision of an entry capacity rebate when bundled products are purchased at the Bacton IP ASEP.

The proposer considers both elements are required to fully restore the value of the original product.

The original long term product gave rights over a certain proportion of the total Bacton ASEP obligated entry capacity and allowed gas to enter the NTS completely flexibly between all the entry points within the Bacton ASEP

Under the proposed split, 72.77% of that obligated capacity will be allocated to the new asset specific IP ASEP to precisely match the technical capacities of the interconnectors. This unique new entry capacity product, sized specifically for particular assets, has been allocated without any price signal. The price of capacity will be determined through future CAM auctions with Interconnector users safe in the knowledge that there is no potential shortage of capacity to serve full asset flows and their capacity needs are further protected through having their own ASEP. The price of this unique new 'asset-specific' ASEP product is demonstrably zero on initial allocation to the ASEP and as such long term holders must be treated equitably on their proportion of the original obligated capacity that has been allocated to this unique new ASEP. A new product priced at zero on initial allocation is exactly equivalent to long term capacity holders handing back the capacity which then allows them to compete equitably for this unique new entry product. Thus as a first option long term holders must have the right to return up to this percentage of their long term capacity.

Further, to fully restore original value, capacity that remains after any return should continue to enjoy the flexibility of the original product which allows it to be used to flow gas through both the UKCS ASEP and IP ASEP.

Relevant Objectives

Implementation of Modifications 0501, 0501A, 0501B and 0501C would impact the following relevant objectives:

- 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. and

- 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.

Implementation of Modifications 0501, 0501A, 0501B and 0501C 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. Please note that the European Commission has specified the Regulation on Capacity Allocation Mechanisms will apply from 01 November 2015.

There may be systems costs associated with the implementation of Modification 0501C but no additional costs associated with the other modifications.

Transporters have provided a Rough Order of Magnitude (ROM) for Modification 0501C which indicates that a system solution would cost in the order of £415,000 to £490,000.

An interim offline solution would be considered between November 2015 and April 2016, with a cost not expected to exceed £50,000.

Transporters propose a change to Agency Charging Statement (ACS) allocating costs on the basis of capacity held at Bacton by Users post the reallocation of capacity.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

Yes, the implementation of one of these modifications is required to ensure Bacton ASEP is compliant following the implementation of CAM Code and associated European legislation which takes effect from October/November 2015 and therefore could have a significant impact on European Code changes obligations in the UK.

2 Why Change?

On 14 October 2013 the European Commission adopted rules (EU Regulation 984/2013) establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems (CAM), which seek to harmonise transparent and non-discriminatory access to transmission capacity at applicable interconnection points across the European Union. These rules supplement Regulation (EC) 715/2009 and integrate with Congestion Management Procedures (CMP) and changes to the UNC are required to ensure compliance.

In order to ensure that CAM/CMP procedures are only applied at Interconnection Points (IPs), the existing Bacton ASEP within the GT Licence which National Grid Gas holds in respect of the NTS will need to be split into two new ASEPs (Bacton UKCS ASEP and Bacton IP ASEP)³. Existing UNC processes would continue to apply at the new Bacton UKCS ASEP and newly developed CAM processes would apply at the new Bacton IP ASEP.

As long-term bookings have already been placed for NTS Entry Capacity at the Bacton ASEP for the period after the planned implementation of CAM, these will need to be reallocated between the two new ASEPs to ensure that CAM/CMP procedures are only applicable at the Bacton IP ASEP. This modification details how to achieve this. Alternative Modifications 501A, 501B and 501C also allow users to return varying amounts of capacity.

A one-off process will be created in the UNC to allow Users to reallocate their existing Registered NTS Entry Capacity rights between the two newly created ASEPs at Bacton (Bacton UKCS and Bacton IP) from 01 November 2015 onwards.

The reallocation process will take place once the March 2015 auction for Quarterly NTS Entry Capacity has been allocated and will only apply to Registered NTS Entry Capacity held by Users at the existing Bacton ASEP from 01 November 2015 onwards. The process will be completed by 30th September 2015 and the changes will be effective from 01 November 2015.

Certain existing processes within the UNC surrounding NTS Entry Capacity at the existing Bacton ASEP will need to cease for defined periods following implementation of these Modifications in order to ensure that the split of NTS Entry Capacity between the two newly created ASEPs for the period commencing 01 November 2015 can be carried out. These processes at the existing Bacton ASEP are:

- Any new Transfers of NTS Entry Capacity in accordance with TPD B5 which have either a start or end date for the period 01 November 2015 onwards
- Any new Capacity Constraint Management agreements that National Grid NTS may wish to tender for in accordance with TPD B2.8 for the period 01 November 2015 onwards

For clarity, NTS Entry Capacity Transfers and Capacity Constraint Management agreements at the existing Bacton ASEP are permitted for the period up to and including 31 October 2015.

In addition to the above there will be no RMTTSEC auction held in October 2015 for NTS Entry Capacity for the month of November 2015 at the existing Bacton ASEP.

Once the return and reallocation process has been completed, the relevant UNC processes at the Bacton UKCS ASEP and where relevant, the Bacton IP ASEP will be reinstated. Note that the processes and arrangements concerning NTS Interconnection Point Entry Capacity held at the Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation under Modification 0500.

³ Note that this will be the subject of an Ofgem consultation. The process described in this Modification can only be applied once the relevant changes to the GT Licence have been directed (including the setting of the proposed Obligated levels of NTS Entry Capacity to apply at the Bacton UKCS ASEP and the Bacton IP ASEP).

Following the implementation of CAM and the proposed Bacton split, Modification 0501C propose to introduce an aggregate overrun regime for Residual Capacity holders to enable them to flexibly flow through either new Bacton ASEP. For the purposes of calculating System Entry Overrun Charges at a new Bacton ASEP, National Grid NTS will take account of that User's current NTS Entry Capacity at that new Bacton ASEP plus that User's unutilised Residual Capacity at the other new Bacton ASEP.

In addition, where a User wishes to use Residual Capacity and that User purchases a bundled Bacton IP ASEP product such that the User would incur NTS Entry Capacity Charges twice, that User will receive a rebate of the NTS Entry Capacity Charge embedded within the bundled Bacton IP ASEP product.

3 Solution

The following table summarise the process differences between the modifications Solutions detailed in this report.

| Process introduced | 0501 | 0501A | 0501B | 0501C |
|--|------|-------|-------|-------|
| Meets compliance requirements for CAM code | ✓ | ✓ | ✓ | ✓ |
| One off process to allow Users to allocate existing Capacity on a Quarterly basis from 01 October 2016 to 30 September 2031 between Bacton UKCS and Bacton IP ASEPs - based on Users original capacity booking. | ✓ | ✓ | ✓ | ✓ |
| One off process to allow Users to allocate existing Capacity on a Monthly basis from 01 November 2015 to 30 September 2016 between Bacton UKCS and Bacton IP ASEPs - based on Users original capacity booking. | ✓ | ✓ | ✓ | ✓ |
| One off process allows Users to return Capacity on a Quarterly basis between October 2016 and September 2031. The User then allocates residual capacity between Bacton UKCS and Bacton IP ASEPs | | ✓ | | ✓ |
| One off process allows Users to return capacity on a monthly basis between November 2015 and September 2016. The User then allocates residual capacity between Bacton UKCS and Bacton IP ASEPs | | ✓ | | ✓ |
| Users will have an opportunity to return NTS Entry Capacity to the extent that the allocation at either one of Bacton UKCS or Bacton IP ASEP exceeds the allocation that the User requested following the Bacton Capacity Final Reallocation Invitation. | | ✓ | ✓ | ✓ |
| Introduces an aggregate overrun regime for Residual | | | | ✓ |

| | | | | |
|--|--|--|--|---|
| Capacity holders to enable them to flexibly flow through either Bacton UKCS or Bacton IP ASEP so that it mirrors current flexibility. | | | | |
| Introduces a rebate, where a User purchases a bundled Bacton IP ASEP product to use unutilised residual capacity, for the NTS Entry Capacity Charge embedded within the bundled Bacton IP ASEP | | | | ✓ |
| Long term processes and systems required | | | | ✓ |

The modifications Solutions have been summarised below, however, for detailed business rules refer to the following sections of this Workgroup Report:

| Modification | Section |
|--------------|-----------------|
| 0501 | 9 – Appendix 1 |
| 0501A | 10 – Appendix 2 |
| 0501B | 11 – Appendix 3 |
| 0501C | 12 – Appendix 4 |

Modification 0501 introduces a one-off process to enable Users to indicate where they wish their Registered NTS Entry Capacity rights at the existing Bacton ASEP to be held following implementation of CAM. The process will be held after the March 2015 auction for Quarterly NTS Entry Capacity has been allocated, and will only apply to those NTS Entry Capacity rights held by Users at the existing Bacton ASEP from 01 November 2015 onwards.

Users will be invited to indicate for each Month over the period 01 November 2015 to 30 September 2016 and each Quarter from 01 October 2016 to 30 September 2031 (as relevant) where they wish their existing NTS Entry Capacity rights to be held between the newly created Bacton UKCS and Bacton IP ASEPs.

Where the aggregate level of Users' capacity holdings at each new ASEP are less than or equal to the proposed new obligated levels at each of the new ASEPs, their NTS Entry Capacity reallocations will be granted in full. If this is not the case, a further invitation and allocation process will be undertaken. If after two such processes have been followed, the aggregate level of Users' capacity holdings is still in excess of the proposed obligated levels at either of the two new ASEPs, National Grid NTS will re-apportion the holdings such that the obligated levels are not exceeded by the aggregate level of capacity holdings.

National Grid NTS will write to inform Users of the results of the capacity reallocation process by the 30th of September 2015 at the latest.

Modification 0501A introduces a one-off process to enable Users to indicate where they wish their Registered NTS Entry Capacity rights at the existing Bacton ASEP to be held following implementation of CAM. It also provides Users with a one-off opportunity to return capacity to National Grid NTS. The process will be held after the March 2015 auction for Quarterly NTS Entry Capacity has been allocated and will only apply to those NTS Entry Capacity rights held by Users at the existing Bacton ASEP from 01 November 2015 onwards.

For each Month over the period 01 November 2015 to 30 September 2016 and each Quarter from 01 October 2016 to 30 September 2031 (as relevant), for the Bacton Capacity Return and Initial Reallocation Invitation, Users will be invited to:

- 1 Specify the quantity of their existing NTS entry capacity rights to be returned to National Grid NTS and
 - (a) For the remaining existing NTS entry capacity rights (the “Residual Capacity”) following any returns made in accordance with sub-paragraph (a), indicate how they wish their Residual Capacity to be allocated between the newly created Bacton UKCS and Bacton IP ASEPs.

Capacity may also be returned at end of the capacity allocation process if a quantity of capacity were to be allocated at an ASEP in excess of that indicated by the user in their response to the Bacton Capacity Final Reallocation Invitation.

Modification 0501B introduces a one-off process to enable Users to indicate where they wish their Registered NTS Entry Capacity rights at the existing Bacton ASEP to be held following implementation of CAM. The process will be held after the March 2015 auction for Quarterly NTS Entry Capacity has been allocated and will only apply to those NTS Entry Capacity rights held by Users at the existing Bacton ASEP from 01 November 2015 onwards.

Users will be invited to indicate for each Month over the period 01 November 2015 to 30 September 2016 and each Quarter from 01 October 2016 to 30 September 2031 (as relevant) where they wish their existing NTS Entry Capacity rights to be held between the newly created Bacton UKCS and Bacton IP ASEPs.

Where the aggregate level of Users’ NTS Entry Capacity holdings at each new ASEP are less than or equal to the proposed new obligated levels at each of the new ASEPs, their NTS Entry Capacity reallocations will be granted in full. If this is not the case, a further invitation and allocation process will be undertaken. If after two such processes have been followed, the aggregate level of Users’ capacity holdings is still in excess of the proposed obligated levels at either of the two new ASEPs, National Grid NTS will re-apportion the holdings such that the obligated levels are not exceeded by the aggregate level of capacity holdings. Following this process, a User will have an opportunity to return NTS Entry Capacity to National Grid NTS but only to the extent that the allocation at one of the newly created Bacton ASEPs exceeds the allocation that the User requested following the Bacton Capacity Final Reallocation Invitation.

Where NTS Entry Capacity is returned by a User to National Grid NTS, the User will be relieved of any transportation charges that would otherwise pertain to it. The returned NTS Entry Capacity will therefore be available to National Grid NTS to offer it for sale in subsequent capacity auctions at the applicable new Bacton ASEPs.

In respect of any relevant month or quarter, Users (and, in respect of NTS Entry Capacity Transfers, Transferor Users) should ensure that the quantities they specify under the above processes are entirely consistent with their existing NTS Entry Capacity rights and are consistent with allocating existing Bacton ASEP NTS Entry Capacity Transfers to the new Bacton ASEPs. In the event that a User specifies quantities that are not consistent with these conditions, National Grid NTS will, for the relevant month or quarter, reject the User’s request and invoke a default reallocation on the User’s behalf.

Further, under 501B, it is proposed that any Transferee that has been apportioned less NTS Entry Capacity than the Transferor agreed to transfer to the Transferee (pursuant to an NTS Entry Capacity Transfer existing immediately prior to the Bacton Capacity Final Reallocation Invitation), the Transferor shall have no liability to the Transferee for the shortfall

The Final Reallocation will, for the relevant month or quarter, reallocate existing NTS Entry Capacity rights between the new Bacton ASEPs in proportion to the obligated levels (or baselines) of the new Bacton ASEPs. Relevant NTS Entry Capacity Transfers will be apportioned between the two new Bacton ASEPs in the same way.

National Grid NTS will write to inform Users of the results of the capacity reallocation process by 30th September 2015 at the latest.

Modification 0501C introduces a one-off process to enable Users to return up to a maximum of 72.77% of their existing NTS Entry Capacity at Bacton to National Grid NTS.

In parallel Users would indicate where they wish their Residual Capacity to be held following implementation of CAM and the Bacton split. The process will be held after the March 2015 auction for Quarterly NTS Entry Capacity has been allocated and will only apply to those NTS Entry Capacity rights held by Users at the existing Bacton ASEP from 01 November 2015 onwards.

For each Month over the period 01 November 2015 to 30 September 2016 and each Quarter from 01 October 2016 to 30 September 2031 (as relevant), for the Bacton Capacity Return and Initial Reallocation Invitation, Users will be invited to:

- (a) Specify the quantity of their existing NTS Entry Capacity rights to be returned to National Grid NTS up to a maximum of 72.77% of their holding on a monthly basis (the "Return Cap") subject to the outcome of Ofgems consultation on the Gas Transporters licence changes; and
- (b) For the remaining existing NTS Entry Capacity rights which cannot be less than 27.23%, subject to the outcome of Ofgems consultation on the Gas Transporters licence changes (the "Residual Capacity") following any returns made in accordance with sub-paragraph (a) indicate how they wish their Residual Capacity to be allocated between the newly created Bacton UKCS and Bacton IP ASEPs.

In respect of Residual Capacity, where the aggregate level of Users' capacity holdings at each new ASEP is less than or equal to the proposed new obligated levels at each of the new ASEPs, their NTS Entry Capacity reallocations will be granted in full subject to any restrictions arising from NTS Entry Capacity Transfers. If this is not the case, a further invitation and allocation process will be undertaken. If after both processes have been followed, the aggregate level of Users' capacity holdings is still in excess of the proposed obligated levels at either of the two new ASEPs, National Grid NTS will re-apportion the holdings such that the obligated levels are not exceeded by the aggregate level of capacity holdings. As part of this process a User will have a further opportunity to return capacity to National Grid NTS but only to the extent that the allocation at an ASEP exceeds the allocation that the User had most recently requested.

Where existing NTS Entry Capacity is returned by a User to National Grid NTS, the User will be relieved of any transportation charges that would otherwise pertain to it. The returned capacity will therefore be available to National Grid NTS to offer it for sale in subsequent capacity auctions at the applicable new Bacton ASEPs.

In respect of any relevant month or quarter, Users (and, in respect of NTS Entry Capacity Transfers, Transferor Users) should ensure that the quantities they specify under the above processes are entirely consistent with their existing NTS entry capacity rights and are consistent with allocating existing Bacton ASEP NTS Entry Capacity Transfers to the new Bacton ASEPs. In the event that a User specifies quantities that are not consistent with these conditions, National Grid NTS will, for the relevant month or quarter, reject the User's request and invoke a default reallocation on the User's behalf.

The default reallocation will, for the relevant month or quarter, reallocate existing NTS entry capacity rights between the new Bacton ASEPs in proportion to the obligated levels (or baselines) of the new Bacton ASEPs. Relevant NTS Entry Capacity Transfers will be apportioned between the two new Bacton ASEPs in the same way.

National Grid NTS will write to inform Users of the results of the capacity reallocation process by 30th September 2015 at the latest.

Following the implementation of CAM and the proposed Bacton split in Modification 501C, an aggregate overrun regime would be introduced for Residual Capacity holders to enable them to flexibly flow through either new Bacton ASEP. For the purposes of calculating System Entry Overrun Charges at a new Bacton ASEP, National Grid NTS will take account of that User's current Available NTS Entry Capacity at that new Bacton ASEP plus that User's unutilised Residual Capacity at the other new Bacton ASEP, if any.

In addition, where a User wishes to use Residual Capacity and that User purchases a bundled Bacton IP ASEP product such that the User would incur NTS Entry Capacity Charges twice, that User will receive a rebate of the NTS Entry Capacity Charge embedded within the bundled Bacton IP ASEP product.

For clarity there will be no change to the process to be applied by a User in undertaking System Capacity Transfers. Residual Capacity Rights will not transfer to a Transferee User.

As a default rule, where a User undertakes a System Capacity Transfer, that User shall be deemed to transfer NTS Entry Capacity to the Transferee User in the following order:

- (a) firstly, to the extent of that User's non-Residual Capacity; and
- (b) thereafter, to the extent of that User's Residual Capacity.

In relation to the surrender of Firm NTS Entry Capacity, where a User makes an offer to surrender Firm NTS Entry Capacity for a Day in respect of a new Bacton ASEP (pursuant to TPD B2.3 and/or TPD B2.10), that User shall be deemed to offer to surrender its Firm NTS Entry Capacity to National Grid NTS in the priority order set out below.

(at the new Bacton IP ASEP):

As a default rule, where a User specifies through PRISMA that the surrender offer is in respect of unbundled NTS Entry Capacity, that User's NTS Entry Capacity shall be deemed to be surrendered in the following priority order:

- (a) firstly, to the extent of that User's unbundled non-Residual Capacity; and
- (b) thereafter, to the extent of that User's unbundled Residual Capacity.

To the extent that the User has insufficient unbundled NTS Entry Capacity available to fully satisfy the surrender offer, the User's unbundled NTS Entry Capacity shall be deemed to be negative

As a default rule, where a User specifies through PRISMA that the surrender offer is in respect of bundled NTS Entry Capacity, that User's NTS Capacity Capacity shall be deemed to be surrendered in the following priority order:

- (a) firstly, to the extent of that User's bundled non-Residual Capacity; and
- (b) thereafter, to the extent of that User's bundled Residual Capacity.

To the extent that the User has insufficient bundled NTS Entry Capacity available to fully satisfy the surrender offer, the User's bundled NTS Entry Capacity shall be deemed to be negative

(at the new UKCS ASEP):

(a) firstly, to the extent of that User's non-Residual Capacity; and

(b) secondly, to the extent of that User's Residual Capacity.

To the extent that National Grid NTS accepts a surrender offer which includes Residual Capacity, the Residual Capacity Rights will not attach to NTS Entry Capacity which National Grid NTS makes available to other Users during the relevant surrender period by virtue of that User surrendering the Residual Capacity.

| User Pays | |
|--|---|
| Classification of the modification as User Pays, or not, and the justification for such classification. | <p>0501, 0501A, 0501B - No User Pays service would be created or amended by implementation of these modifications and they are not, therefore, classified as a User Pays Modifications.</p> <p>Some participants consider that no User Pays service would be created or amended by implementation of 501C and it should not, therefore, be classified as a User Pays modification, as it preserves the existing service provided to existing long term capacity holders in response to regulatory change.</p> <p>However, some participants consider 0501C should be considered as User Pays as it requires significant changes to systems and processes over and above those required implementing CAM requirements.</p> |
| 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. | <p>Should Modification 0501C be defined as User Pays, costs are to be allocated based on capacity held at Bacton by Users post the reallocation of capacity.</p> <p>Some participants strongly disagreed that there is a need to consider such a split given that Modification 0501C cannot reasonably be considered to be a User Pays Modification as defined under the UNC.</p> |
| Proposed charge(s) for application of User Pays charges to Shippers. | <p>ROM for Modification 0501C indicates that a system solution would cost in the range of £415,000 to £490,000.</p> <p>An interim offline solution to operate between November 2015 and April 2016 with a cost not exceeding £50,000.</p> |

| | |
|--|--|
| Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve. | Transporters propose to submit an amended ACS. Some participants strongly disagreed with the Transporter seeking to change the ACS in the context of the legal definition as to what constitutes a User Pays Modification. |
|--|--|

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. | Impacted by 0501/0501A/0501B/0501C |
| 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. | Impacted by 0501/0501A/0501B/0501C |
| 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 for 0501/0501A/0501B/0501C |

The Workgroup has identified the following impacts on the Relevant Objectives as follows:

Modification 0501 has been raised to reflect the Authority's "minded to" position to split Bacton into two separate ASEPs the purpose of which is to comply with EU Capacity regulations whereby UKCS is under UNC arrangements IPs are under EU Capacity regulations and is designed to respond to the unique structural changes needed to deliver CAM in the simplest manner.

It was noted that in these exceptional circumstances, where existing capacity holders' rights are proposed to be retrospectively altered very significantly, an equitably implemented split must be a primary consideration, including for the purposes of facilitating compliance with:

Relevant Objective b) Coordinated, efficient and economic operation of

- (i) **the combined pipe-line system, and/ or**
- (ii) **ii) the pipe-line system of one or more other relevant gas transporters**

Modification 0501

Some participants considered Modification 0501 to be a manifestly inadequate response to the exceptional circumstances facing Users at the Bacton ASEP, insofar as:

- (a) the modification's disregard to the existing rights of long-term capacity holders means that shippers may be deterred from entering into long-term capacity commitments (in case the regulatory goalposts are moved on them), which may have negative implications for price signals to National Grid NTS should it need to develop new entry capacity in the future; and
- (b) existing capacity holders who have their capacity allocated at unwanted terminals in case of oversubscription and who cannot now use their capacity in a flexible way will have to send an incremental investment signal to regain the long-term capacity lost at their desired ASEP, which is likely to:
 - (i) result in lower utilisation of already booked capacity at the unwanted ASEP; and
 - (ii) lead to artificial constraint, and to unwarranted and inefficient applications for incremental capacity at Bacton ASEP (which may, in turn lead to unnecessary investment by National Grid NTS in response to artificial price signals).
- (c) the loss of fungibility seriously undermines value of existing long term capacity products and the ability of holders to use those products, the effect of which is that existing long term capacity products are now likely to be incorrectly priced.

It was acknowledged that a key premise of the capacity booking regime is encouragement of long-term capacity bookings to underpin efficient investment in the NTS. Any rule change which conflicts with this objective is likely to have an adverse impact on the facilitation of this objective, and as such, they noted that Modification 0501, if implemented, would be likely to have a deleterious impact on the coordinated, efficient and economic operation of the combined pipeline system.

Some participants consider that in totality, the above points combine to produce a negative impact for compliance with Relevant Objective b).

Modification 0501A

Some participants consider that Modification 0501A is likely to provide for the timely bundling of capacity at the Bacton IP ASEP and should therefore better facilitate the coordinated approach to adjacent pipe-line system access envisaged by CAM. A reduction in the likelihood of capacity being sterilised at either of the new ASEPS, due to Users being allocated quantities in excess of their requirements, would result in the efficient recycling and bundling of capacity. This would promote more efficient use of the NTS pipeline system and adjacent pipe-line systems. It is envisaged that Enduring NTS Exit (Flat) Capacity rights at IPs will be end-dated by 01 October 2020, which should be conducive with the intentions of CAM. Modification 0501A provides for similar benefits to be conferred on Bacton entry capacity and deliver equitable entry and exit regimes sooner.

In terms of other benefits, some participants expressed the view that Modification 0501A is likely to have the following benefits:

- (a) Long-term entry capacity products would be correctly priced;
- (b) neutral treatment of existing capacity holders such that there is no deterrence from shippers entering into long term capacity commitments (no regulatory goalpost shift);
- (c) no negative implications for price signals to National Grid should it need to develop new entry capacity and for security of supply; and
- (d) practical difficulties with 2015 QSEC auctions averted.

In totality the above points combine to produce a positive impact for compliance with Relevant Objective b).

Modification 0501B

Some participants consider Modification 0501B is likely provide for the timely bundling of capacity at the Bacton IP ASEP and should therefore better facilitate the coordinated approach to adjacent pipe-line system access envisaged by CAM. A reduction in the likelihood of capacity being sterilised at either of the new ASEPS, due to Users being able to return capacity which has been reallocated to them which is in excess of the quantity they require at one of the newly created ASEPs. This should result in the efficient recycling and bundling of capacity and promote more efficient use of the NTS pipeline system and adjacent pipe-line systems. It is envisaged that Enduring NTS Exit (Flat) Capacity rights at IPs will be end-dated (possibly by 2020) which should be conducive the intentions of CAM. This modification provides for similar benefits to be conferred on Bacton entry capacity and deliver equitable entry and exit regimes sooner.

Some participants consider Modification 0501B is more consistent with the User Commitment model in that Users are only able to return Returnable Capacity, the capacity that reallocated to a newly created Bacton ASEP against the requests of the Bacton User. Other participants commented that the User Commitment model is not relevant given the fundamental change in the nature of the existing capacity products.

In totality the above points combine to produce a positive impact for compliance with Relevant Objective b).

Some participants expressed concern that Modification 0501B does not correct the lack of fungibility – existing capacity holders would still be required to make an arbitrary ‘one-off’ election, which seriously undermines the value of the capacity product and the ability of holders to use it. Further Modification 0501B does not address:

- a) the inequitable treatment of existing capacity holders;
- (b) the loss of flexibility;
- (c) the shift in regulatory goalposts, all of which combine to have negative implications for price signals to National Grid NTS should it need to develop new entry capacity

Flexibility is important because in its absence Users may need to replicate existing bookings to achieve the same gas flows which may result in a disproportionate allocation of costs to those Users in combination with the potential trigger of artificial constraint and price signals by existing capacity holders. The same applies to Modification 0501A with the exception that the User has a choice to reset its capacity booking to reflect the new capacity regime.

In totality the above points combine to produce a negative impact for compliance with Relevant Objective

b) for Modifications 0501A and 0501B.

Modification 0501C

Some participants expressed the view that Modification 0501C responds to the unique challenge created due to the implementation of CAM by restoring the value and flexibility balance in the context of substantive structural changes designed to deliver CAM as simply as possible. Similarly, some participants believed that Modification 0501C recognises the unique and fundamental change at the existing Bacton ASEP through the creation of an asset-specific ASEP for Interconnector assets in circumstances where no long term signal or market price for guaranteed long-term availability of entry capacity has been made. Furthermore, that Modification 0501C has the following benefits:

- (a) enables market participants to accurately price forward capacity (thus no discouragement of market participation and/or forward booking of capacity);
- (b) neutral treatment of existing capacity holders such that there is no deterrence from shippers entering into long term capacity commitments (no regulatory goalpost shift);
- (c) no negative implications for price signals to National Grid should it need to develop new entry capacity and for security of supply; and
- (d) provides redress for existing capacity holders in terms of the diminution in market value of their capacity bookings in a fundamentally different landscape.

One participant was concerned that Modification 0501C allows the purchase of bundled capacity, which is later rebated. This may lead to sterilised capacity with potential knock on effects for other TSOs' capacity across the IP (Interconnection Point) and therefore has a negative impact on Relevant Objective b).

Modifications 0501A, 0501B and 0501C

Some participants consider the efficient return and reallocation of capacity should ensure that Users' requirements are more accurately accounted for at an early stage. This should help to reduce the likelihood of artificial congestion at either of the new Bacton ASEPs and provide Users with more ready access to entry capacity and therefore further Relevant Objective b).

Relevant Objective 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**

Modification 0501

Some participants consider that Modification 0501 is manifestly inadequate in terms of facilitating compliance with Relevant Objective d), particularly insofar as:

- (a) the price paid by long-term capacity holders was based on a radically different value and flexibility proposition, and as such, existing capacity products are likely to be incorrectly priced going forward, the effect of which is likely to discriminate against existing capacity holders at Bacton and to confer a cross-subsidy to the rest of the shipper community;
- (b) there is no recognition of the radical change to the Bacton capacity market through the creation of an asset-specific ASEP for Interconnector assets in circumstances where no long term signal or market price for guaranteed long-term availability of entry capacity has been made;

- (c) a User may be allocated capacity at a new Bacton ASEP at which that User is unable to utilise the capacity (because the User is allocated capacity at an unwanted ASEP), which may enable National Grid NTS to release more discretionary and interruptible capacity, which in combination represents a cross subsidy by existing capacity holders to the rest of the shipper community;
- (d) existing capacity holders will be prevented from exercising their existing rights to flexibly support flows via any sub-terminal contained within the Bacton ASEP, the effect of which is that capacity bookings may need to be replicated in order to achieve the same gas flows, resulting in a disproportionately high allocation of capacity costs to such Users; and
- (e) existing capacity holders at Bacton may be subjected to discriminatory treatment vis-à-vis holders of capacity at other ASEPs:
 - (i) whose existing rights are not being retrospectively altered;
 - (ii) who may continue to use their capacity flexibly to support flows via any sub-terminal contained within a single ASEP; and
 - (iii) whose existing rights are not subjected to a diminution in value.

In totality the above points combine to produce a negative impact for compliance with Relevant Objective d).

Modification 0501A

Some participants considered that Modification 0501A:

- (a) addresses incorrect pricing of capacity products for existing capacity holders;
- (b) prevents discrimination against existing capacity holders and the cross-subsidy to rest of shipper community (impact on effective competition averted);
- (c) eliminates the unfair and inefficient pricing of existing capacity (thus no distortion of the capacity market as between shippers);
- (d) enables market participants to accurately price forward capacity, thus no discouragement of market participation and/or forward booking of capacity; and
- (a) provides redress for existing capacity holders in terms of the diminution in market value of their capacity bookings.
- (b) eliminate the unfair and inefficient pricing of existing capacity both at the new Bacton ASEPs and more widely as compared to other ASEPs which are not subject to “splitting” (thus no distortion of the capacity market as between shippers).

In totality the above points combine to produce a positive impact for compliance with Relevant Objective d).

Modification 0501B

Some participants expressed the view that Modification 0501B does not alleviate all the issues, which apply in respect of Modification 0501; the price paid for existing capacity products does not reflect the new terms, which represents a cross-subsidy to the rest of the shipper community (contrary to effective competition between shippers). Similarly, 0501B does not seek to preserve flexibility rights attributable to existing capacity and therefore has a negative impact on Relevant Objective d).

Modification 0501C

Some participants believe that Modification 0501C establishes a value and flexibility balance for existing capacity holders insofar as it seeks to:

- (a) address the incorrect pricing of capacity products for existing capacity holders;
- (b) rectify the competitive imbalance posed by the creation of an asset-specific ASEP for Interconnector assets in circumstances where no long term signal or market price for guaranteed long-term availability of entry capacity has been made;
- (c) preserve the flexibility inherent in the existing capacity products to prevent artificial constraint and price signals which would be likely to result in a cross-subsidy by existing capacity holders to the rest of the shipper community; and
- (d) eliminate the unfair and inefficient pricing of existing capacity both at the new Bacton ASEPs and more widely as compared to other ASEPs which are not subject to “splitting” (thus no distortion of the capacity market as between shippers).

In totality the above points combine to produce a positive impact for compliance with Relevant Objective d).

Modifications 0501A, 0501B and 0501C

Some participants expressed the view that the Bacton ASEP split is one-off event bespoke to Bacton in the context of material regulatory change. In light of these exceptional circumstances there may be an adverse impact on existing capacity holders, some participants strongly believed that definitive action is required to address the fundamentally discriminatory and negative treatment of existing capacity holders. Existing shippers must be given a right to adapt their bookings to the fundamentally changed circumstances; any other course of action would result in a de-facto subsidy to other shippers.

Some participants were concerned that these modifications allow the User to hand back capacity, despite having previously committed to holding capacity under a long term user commitment; they believe this may well result in a redistribution of cost, from those who booked Bacton NTS Entry and chose to return it, to all other system users via the NTS commodity charge. Some participants were concerned that this is anecdotal and the impact is uncertain through time because future capacity bookings are unknown and it cannot be assumed that capacity will not be re-booked following any such hand-back, potentially at higher prices. Whilst this may be the case, one participant considered that the potential cost reallocation be highlighted to all system Users.

Some participants consider that where Shippers want to retain the flexibility they currently have, there is the risk that more capacity is withdrawn from the market than may be necessary. However, others suggested that the risk is relatively remote and quantities limited.

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

All participants consider all of these modifications facilitate compliance with European legislative requirements to be applied only at Interconnection Points on the NTS. However, some participants were concerned that the spirit of the European regulations were not be fulfilled as these modifications could impact competition and therefore not achieve the expectations of a more competitive market which is considered to be an underlying principle of the European Codes.

5 Implementation

No implementation timescales are proposed. It should be noted that the European Commission has specified the Regulation on Capacity Allocation Mechanisms will apply from 01 November 2015.

6 Impacts

Do these modifications impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

Yes, the implementation of one of these modifications is required to ensure Bacton ASEP is compliant following the implementation of CAM Code and associated European legislation which takes effect from October/November 2015 and therefore could have a significant impact on European Code changes obligations in the UK.

System Impacts

Transporters advise that there are systems costs associated with the implementation of Modification 0501C but no additional costs associated with Modifications 0501, 0501A and 0501B. A ROM has been provided for Modification 0501C and it indicates that a system solution would cost in the order of £415,000 to £490,000. However, it is unlikely this solution would be delivered in time for October 2015 and would be planned for during the April 2016 systems release.

An interim offline solution would be considered between November 2015 and April 2016 with a cost not expected to exceed £50,000

7 Legal Text

Text Commentary

Draft text commentary was provided by National Grid NTS for review by the Workgroup. The final version is to be provided for consideration during consultation.

Text

The Text which is published alongside this report has been prepared by National Grid NTS for Modifications 0501, 0501A and 0501B, and no issues were raised by the Workgroup regarding its content. The Workgroup has consider the Text for Modification 0501C and the final version is to be made available for consideration during consultation.

8 Recommendation

The Workgroup invites the Panel to:

- AGREE that these modifications should be submitted for consultation.
- Seek views on whether any of Modification 0501C should be considered as User Pays.
- Seek views on the optionality to flow.

9 Appendix 1 – 0501 Business Rules

Modification 0501

It is proposed that a number of new processes and terms be introduced into the UNC in relation to the process being undertaken regarding NTS Entry Capacity currently held by Users at the Bacton ASEP:

1 New Terms⁴

1. **"Adjacent Transporter"** means the operator of a transmission system connected to (or designated as connected to) the National Transmission System at an Interconnection Point
2. **"Bacton ASEP"** is the Aggregate System Entry Point currently referenced within National Grid NTS' Transporter's Licence as the Bacton NTS Entry Point;
3. **"Bacton IP ASEP"** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated as NTS Interconnection Point Entry Capacity to facilitate the implementation of the EU CAM Code and ;
4. **"Bacton UKCS ASEP"** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated to facilitate the implementation of the EU CAM Code;
5. **"Bacton User"** means a User who holds Relevant Registered NTS Entry Capacity at the Bacton ASEP on the relevant date for any period following 1 November 2015;
6. **"Bacton Capacity Final Reallocation Invitation"** means a second (and final) invitation made to surrender existing NTS Entry Capacity rights at the existing Bacton ASEP to be reallocated as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. This invitation is only triggered if the Bacton Capacity Initial Reallocation Invitation does not completely reallocate all the NTS Entry Capacity rights at the existing Bacton ASEP
7. **"Bacton Capacity Initial Reallocation Invitation"** means an initial invitation made to surrender existing NTS Entry Capacity rights at the existing Bacton ASEP to be reallocated as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP
8. **"Bacton Capacity Reallocation Process"** means the process by which National Grid NTS reallocates existing NTS Entry Capacity rights at the existing Bacton ASEP as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP
9. **"Final Capacity Reallocation"** means the result of the second (and final) application of the Bacton Capacity Reallocation Process
10. **"Initial Capacity Reallocation"** means the result of the first application of the Bacton Capacity Reallocation Process
11. **"NTS Interconnection Point Entry Capacity"** means NTS Entry Capacity at an Interconnection Point.
12. **"Unbundled NTS Interconnection Point Entry Capacity"** means NTS Interconnector Entry Capacity at an Interconnection Point which has been auctioned separately at that Interconnection Point, from capacity rights provided by any Adjacent Transporter.

⁴ These terms are included within the modification proposal to assist the reader. The eventual legal drafting may result in different terms and definitions being introduced into the UNC.

Note existing definition for an Interconnection Point within TPD A1.8 is being retained.

2 High level view of the reallocation process

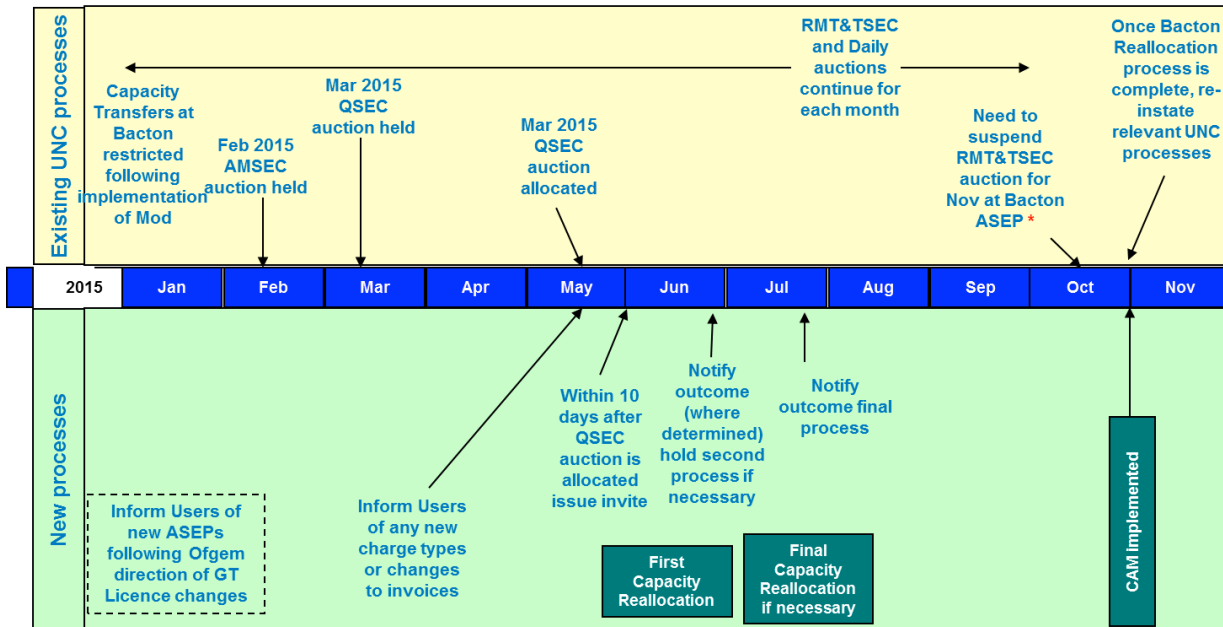
1. Users are invited to indicate where they wish their existing Registered NTS Entry Capacity rights at the existing Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs. For the avoidance of doubt, a User can indicate that they require all their existing Registered NTS Entry Capacity rights at the existing Bacton ASEP for any relevant period to be allocated to only one of the two new ASEPs (i.e. that they require zero at the other new ASEP for that period).
2. Bacton Users that are also Transferor Users will be invited to indicate where they wish their existing NTS Capacity Transfers at the Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs.
3. NTS Entry Capacity rights at the Bacton ASEP will be reallocated (by National Grid NTS on behalf of the User) at the new ASEPs at Bacton.
4. NTS Entry Capacity Transfers at the Bacton ASEP will be reallocated (by National Grid NTS on behalf of the Transferor User and Transferee User) at the new ASEPs at Bacton as requested by the relevant Transferor User.
5. At the new Bacton IP ASEP, Users will be registered as holding NTS Interconnection Point Entry Capacity. Some existing UNC rules and processes as appropriate will apply to this type of NTS Entry Capacity but note that certain processes and arrangements concerning NTS Interconnection Point Entry Capacity held at the Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation under Modification 500.
6. At the Bacton UKCS ASEP, Users will be registered as holding NTS Entry Capacity and all the existing UNC rules and processes will continue to apply to this NTS Entry Capacity.
7. National Grid NTS will only reallocate the NTS Entry Capacity/NTS Interconnection Point Entry Capacity in full where it is less than or equal to the Obligated level for that ASEP for the relevant Month/Quarter.
8. NTS Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton UKCS ASEP at a weighted average price. The application of the volume weighted average price of that User's NTS Entry Capacity over all the auctions during which they previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP, effectively means Users will be liable for the same charges (for both the two new ASEPs) in total as they currently are at the existing Bacton ASEP.
9. Similarly, NTS Interconnection Point Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton IP ASEP at a weighted average price. The application of the volume weighted average price of that User's NTS Entry Capacity over all the auctions during which they previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP, effectively means Users will be liable for the same charges (for both the two new ASEPs) in total as they currently are at the existing Bacton ASEP.
10. National Grid NTS will only reallocate Transfers where the Transferor has Registered NTS Entry Capacity that is equal to or greater than the transferred quantity and where the Transfer is for a calendar month(s) or calendar quarter(s)

3 The Bacton Capacity Reallocation process

1. This process will begin after the March 2015 auction in respect of Quarterly NTS Entry Capacity is allocated and is anticipated to be completed by 30th September 2015 to be effective for NTS Entry

Capacity held on and from 01 November 2015. An indicative timeline for the process is shown below:

Timeline for Bacton Reallocation process



* The day ahead auction for Bacton UKCS and Bacton IP will commence on the 31st October 2015

2. National Grid NTS will invite all Users who currently hold Registered NTS Entry Capacity at the Bacton ASEP from 01 November 2015 onwards to reallocate their Registered NTS Entry Capacity at the Bacton ASEP for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards⁵ to the new Bacton UKCS ASEP and/or Bacton IP ASEP. For the avoidance of doubt, the definition of Registered NTS Entry Capacity within UNC TPD B5 will be applied throughout this Modification.
3. National Grid NTS will invite all Bacton Users that have existing NTS Entry Capacity Transfers at the Bacton ASEP from 01 November 2015 onwards to reallocate their NTS Entry Capacity Transfers at the Bacton ASEP for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards to the new Bacton UKCS ASEP and/or Bacton IP ASEP.
4. Within Ten Business Days following the allocation of the March 2015 auction in respect of Quarterly NTS Entry Capacity, National Grid NTS will invite (the Bacton Capacity Initial Reallocation Invitation) all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP and all Bacton Users that have NTS Entry Capacity Transfers from 01 November 2015 onwards to indicate what quantity of their Registered NTS Entry Capacity and NTS Entry Capacity Transfers they want to be held in future at the Bacton UKCS ASEP and/or the Bacton IP ASEP. Note that Users will be allocated NTS Entry Capacity at the Bacton UKCS ASEP and NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. As NTS Interconnection Point Entry Capacity is a type of NTS Entry Capacity, we use the term NTS Entry Capacity in the following paragraphs to mean both.

⁵ The invitation will specify months for the initial year of the period as the NTS Entry Capacity could have been bought through either AMSEC or QSEC auctions so different amounts of NTS Entry Capacity could be held for different months. Whereas for the period 1 October 2016 onwards, the capacity could only have been bought in QSEC auctions and so the amounts of NTS Entry Capacity will only vary per quarter.

5. The Bacton Capacity Initial Reallocation Invitation will state, specific to each Registered Capacity holder:
 - a. The Initial Period (Months from 01 November 2015 to 30 September 2016 and Quarters from 01 October 2016 to 30 September 2031) for which reallocations of NTS Entry Capacity and NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being sought
 - b. The existing Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days of invite and means (which shall be via facsimile) by which Users can signal their required reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent, (For each Business Day Users can submit their requests between 08:00am and 17:00pm)
 - g. That a User cannot request reallocation of a quantity less than or greater than their Registered NTS Entry Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Registered NTS Entry Capacity at the Bacton ASEP
 - i. The User to provide a quantity by ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. The date by which National Grid NTS will provide back to Users the result of the Initial Capacity Reallocation.
6. If a Bacton User does not respond to the Bacton Capacity Initial Reallocation Invitation by the date indicated, National Grid NTS will assume that the Bacton User wants to reallocate its Registered NTS Entry Capacity for each of the relevant Months or Quarters of the Initial Period for which that User holds Registered NTS Entry Capacity between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
7. Where a Transferor User does not respond to the Bacton Capacity Initial Reallocation Invitation by the date indicated, National Grid NTS, on behalf of the Users involved (the Transferor and Transferee Users of the relevant Transfer), will recreate the NTS Entry Capacity Transfer using the same proportions as the Transferor's split of their primary holdings at the current Bacton ASEP between the Bacton UKCS ASEP and the Bacton IP ASEP.

8. Within five Business Days after the date by which Bacton Users need to respond to the Bacton Capacity Initial Reallocation Invitation, National Grid NTS will undertake the Initial Capacity Reallocation and notify each relevant User by facsimile of the outcome.
9. The process that National Grid NTS will utilise for the Initial Capacity Reallocation is as follows:
 - a. National Grid NTS will calculate the aggregate level of NTS Entry Capacity rights requested by Users for each Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP
 - b. Provided that the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level of NTS Entry Capacity at each of the Bacton UKCS ASEP and the Bacton IP ASEP for a given Month/Quarter, National Grid NTS will
 - i. dependent on 5g above allocate that NTS Entry Capacity in accordance with the User's individual requests; and
 - ii. dependent upon 5h above recreate the NTS Capacity Transfer in accordance with the Transferor Users requests
 - c. If in any Month/Quarter and at either ASEP, the aggregate level of NTS Entry Capacity rights is above the relevant Obligated level of NTS Entry Capacity, National Grid NTS will not allocate any NTS Entry Capacity rights or recreate NTS Entry Capacity Transfers to Users for that Month or Quarter (but will allocate for the other Months or Quarters)
 - d. National Grid will write to relevant Users to inform the results of the Initial Capacity Reallocation which will show the aggregate and the User's individual reallocations of NTS Entry Capacity for each of the two new ASEPs in the form detailing the:
 - i. Relevant Months or Quarters
 - ii. ASEP
 - iii. Quantity in kWh/day allocated
 - iv. Transferred quantity for the Transferor User/Transferee User
 - e. National Grid will also inform relevant Users of any Months or Quarters which are not reallocated as the aggregate level of NTS Entry Capacity rights requested was above the relevant Obligated level of NTS Entry Capacity at either new ASEP and therefore that a second invitation (the Bacton Capacity Final Reallocation Invitation) will be issued.
10. If the Initial Capacity Reallocation does not fully reallocate all existing NTS Entry Capacity for all Months/Quarters to the two new ASEPs, National Grid NTS will within five Business Days, of notifying outcome, issue a Bacton Capacity Final Reallocation Invitation to all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP for the particular Months/Quarters affected to re-indicate where they would wish their Registered NTS Entry Capacity and, where applicable, NTS Entry Capacity Transfer(s) to be held in future; either at the Bacton UKCS ASEP or the Bacton IP ASEP.
11. The Bacton Capacity Final Reallocation Invitation will state:
 - a. The relevant Months/Quarters within the Initial Period for which reallocations of NTS Entry Capacity and NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being re-sought, together with the aggregate quantity of NTS Entry Capacity which was requested for the relevant Months/Quarters during the Initial Capacity Reallocation. Note that this will only be for periods where no reallocation

took place following the Initial Capacity Reallocation as the aggregate level of NTS Entry Capacity rights requested was above the relevant Obligated level of NTS Entry Capacity at either new ASEP.

- b. The existing Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days and means (which shall be via facsimile) by which Users can signal their required reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent, (For each Business Day Users can submit their requests between 08:00am and 17:00pm)
 - g. That a User cannot request reallocation of a quantity less than or greater than their Registered NTS Entry Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Registered NTS Entry Capacity at the Bacton ASEP
 - i. The User to provide a quantity by ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. The date by which National Grid NTS will provide back to Users the result of the Final Capacity Reallocation.
12. If a User does not respond to the Bacton Capacity Final Reallocation Invitation by the date indicated, National Grid NTS will:
- a. reallocate the Users Registered NTS Entry Capacity for each of the relevant Months or Quarters for which that User holds Registered NTS Entry Capacity within the Initial Period between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
 - b. recreate the NTS Entry Capacity Transfer(s) using the same proportions as the Transferor User's split of their primary holdings at the current Bacton ASEP between the Bacton UKCS ASEP and the Bacton IP ASEP
13. Within five business days after the date by which Users needed to respond to the Bacton Capacity Final Reallocation Invitation, National Grid NTS will undertake the Final Capacity Reallocation and notify Users of the outcome.
14. The process National Grid NTS will utilise for the Final Capacity Reallocation is as follows:
- a. National Grid will calculate the aggregate level of NTS Entry Capacity rights requested by Users for each relevant Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP

- b. Provided that the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level at each of the Bacton UKCS ASEP and the Bacton IP ASEP for the particular Month/Quarter, National Grid NTS will allocate that NTS Entry Capacity in accordance with the User's individual requests
 - c. Provided that the aggregate level of NTS Entry Capacity rights requested is below the Obligated level at each of the Bacton UKCS ASEP and the Bacton IP ASEP for the particular Month/Quarter, National Grid will recreate NTS Entry Capacity Transfers in accordance with the relevant Transferor Users requests as appropriate.
 - d. If in any Month/Quarter and at either ASEP, the aggregate level of NTS Entry Capacity rights requested is above the relevant Obligated level of NTS Entry Capacity, National Grid NTS will allocate the relevant NTS Entry Capacity for that Month/ASEP or Quarter/ASEP combination pro rata to the aggregate amount applied for by all Users. The Users' remaining NTS Entry Capacity after the proration has taken place will be allocated to the other new Bacton ASEP (Bacton UKCS or Bacton IP as relevant) In the event that, as a consequence of proration at one of the new Bacton ASEPs, there is insufficient Registered Capacity reallocated to the prorated new Bacton ASEP to fully meet a quantity requested under paragraph c above, then the Transfer quantity requested will be prorated in the same proportions as the User's split of their primary holdings.
 - e. National Grid will write to each relevant User(s) to inform them of the results of the Final Capacity Reallocation which will include both the aggregate and the User's individual reallocations of NTS Entry Capacity for each of the two new ASEPs in the form detailing the:
 - i. Relevant Months or Quarters
 - ii. ASEP
 - iii. Quantity in kWh/day
 - iv. Transferred quantity for the Transferor User/Transferee User
15. Following the completion of the Initial Capacity Reallocation and where relevant the Final Capacity Reallocation, National Grid will undertake the reallocation of the NTS Entry Capacity and where appropriate NTS Entry Capacity Transfers on the Users behalf. This will not require the Users to undertake any actions on National Grid NTS' systems.
16. National Grid NTS will:
- a. set the relevant User's Registered NTS Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton UKCS ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter and
 - b. set the relevant User's Registered NTS Interconnection Point Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton IP ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter⁶.

⁶ The NTS Interconnection Point Entry Capacity will be flagged as Unbundled NTS Interconnection Point Entry Capacity in Gemini and will be deemed to be in monthly strips for the period 1 November 2015 to 30 September 2016 and in quarterly strips for the periods beyond 1 October 2016.

17. National Grid NTS will update its computer system(s) with the above details within ten Business Days of writing to Users to inform them of their NTS Entry Capacity reallocations.
18. National Grid NTS will then publish the aggregate results of the Bacton Capacity Reallocation Process to all Users.
19. Following the completion of the Bacton Capacity Reallocation Process, Users will be liable to pay NTS Entry Capacity Charges for the period from 1 November 2015 for the reallocated NTS Entry Capacity rights at the Bacton UKCS ASEP and/or Bacton IP ASEP as appropriate⁷. These NTS Entry Capacity Charges will be invoiced in accordance with the existing provisions of the UNC.

4 Implications of running the Bacton Capacity Reallocation process

⁷ Note that the current assumption is that the existing bids for NTS Entry Capacity at the Bacton ASEP will remain in Gemini and so Users will still receive an invoice for these, but Users will also receive a credit for this NTS Entry Capacity, such that the two transactions will net off to zero.

1. Completion of the Bacton Capacity Reallocation Process will have implications for a number of UNC processes at the Bacton ASEP, Bacton UKCS ASEP and the Bacton IP ASEP.
2. **At the Bacton ASEP;**
 - From the implementation date of the Modification Proposal new Transfers of NTS Entry Capacity (in accordance with TPD B5) which have either a start or end date of the 01 November 2015 or later will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date prior to the 31 October and an end date no later than 31 October 2015 may be permitted
 - From the implementation date of the Modification Proposal National Grid will not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period 01 November 2015 onwards
 - For clarification NTS Entry Capacity Constraint Management Agreements are permitted for the period up to and including 31 October 2015
 - The September 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for October 2015) will be the final RMTTSEC at the Bacton ASEP
 - Daily NTS Entry Capacity (Firm and Interruptible) auctions will be applicable up to and including Gas Day 31 October 2015 and cease thereafter
3. **At the Bacton UKCS ASEP** from completion of the Final Reallocation Process;
 - New Transfers of NTS Entry Capacity (in accordance with TPD B5) which have a start date prior to the 01 November 2015 will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date on or after 1 November 2015 may be permitted
 - National Grid may not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period prior to 1 November 2015 but may tender for a period commencing on or after 1 November 2015
 - The November 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for December 2015) will be the first RMTTSEC in which the Bacton UKCS ASEP will be included
 - Gas Day 1 November 2015 will be the first Day for which Daily NTS Entry Capacity (Firm and Interruptible) auctions are effective. Users will be able to submit Bids seven days prior to the 1 November (D-7)
4. The availability and booking of NTS Interconnection Point Entry Capacity at Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation under UNC Modification 0500, until such time as the relevant NTS Interconnection Point Entry Capacity processes have been implemented there will be no facilities for:
 - NTS Interconnection Point Entry Capacity auctions
 - NTS Interconnection Point Entry Capacity Transfers
5. NTS Entry Capacity Charges (covering NTS Entry Capacity or NTS Interconnection Point Entry Capacity as appropriate), NTS Entry Commodity Charges and Capacity Surrender Charges will apply as per TPD B2.11 (and TPD Section Y).
6. Users will retain the same total NTS Registered Capacity at the two new ASEPs as at the existing Bacton ASEP therefore relevant NTS Entry Commodity Charges as per TPD Section Y are not impacted.

7. Overrun charges will continue to apply at the two new ASEPs as per TPD B2.12.
8. Capacity Neutrality arrangements will continue to apply as per TPD B2.13.
9. The arrangements regarding the operation of the NTS Optional Commodity Rate will continue to apply as per TPD B3.12, but Users will need to make a Supply Point Commodity Rate Renomination for the new ASEPs in accordance with TPD G2.3.
10. Entry arrangements at the two new ASEPs will apply as per TPD Section I.
11. TBE publication data in accordance with TPD Section O will now cover the two new ASEPs at Bacton.
12. Invoicing and payment to cover the two new ASEPs will continue to apply as per TPD Section S.
13. Credit arrangements/termination will continue to apply as per TPD Section V.

10 Appendix 2 – 0501A Business Rules

Modification 0501A

It is proposed that a number of new processes and terms be introduced into the UNC in relation to the process being undertaken regarding NTS Entry Capacity currently held by Users at the Bacton ASEP:

1 New Terms⁸

1. **“Adjacent Transporter”** means the operator of a transmission system connected to (or designated as connected to) the National Transmission System at an Interconnection Point
2. **“Bacton ASEP”** is the Aggregate System Entry Point currently referenced within National Grid NTS' Transporter's Licence as the Bacton NTS Entry Point;
3. **“Bacton IP ASEP”** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated as NTS Interconnection Point Entry Capacity to facilitate the implementation of the EU CAM Code and;
4. **“Bacton UKCS ASEP”** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated to facilitate the implementation of the EU CAM Code;
5. **“Bacton User”** means a User who holds Relevant Registered NTS Entry Capacity at the Bacton ASEP on the relevant date for any period following 1 November 2015;
6. **“Bacton Capacity Final Reallocation Invitation”** means a second (and final) invitation made to surrender Residual Capacity rights at the existing Bacton ASEP to be reallocated as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. This invitation is only triggered if the Bacton Capacity Return and Initial Reallocation Invitation does not completely reallocate all of the Residual Capacity rights at the existing Bacton ASEP.
7. **“Bacton Capacity Return and Initial Reallocation Invitation”** means an invitation to return NTS Entry Capacity rights at the existing Bacton ASEP to National Grid NTS (and for the allocation and/or registration of these rights to relevant Users to be cancelled) and to reallocate the Residual Capacity as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP
8. **“Bacton Capacity Return and Reallocation Process”** means the process by which (a) Users can return NTS Entry Capacity Rights to National Grid NTS (and which rights, and obligations pertaining to those rights, are therefore cancelled by National Grid NTS), (b) National Grid NTS reallocates the Residual Capacity at the existing Bacton ASEP as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP and (c) Users have a final opportunity to return capacity to National Grid NTS in circumstances where their allocation of capacity at a new Bacton ASEP exceeds the level they requested
9. **“Final Capacity Reallocation”** means the result of the second (and final) application of the Bacton Capacity Return and Reallocation Process in respect of Residual Capacity

⁸ These terms are included within the modification proposal to assist the reader. The eventual legal drafting may result in different terms and definitions being introduced into the UNC.

Note existing definition for an Interconnection Point within TPD A1.8 is being retained.

10. **“Initial Capacity Reallocation”** means the result of the first application of the Bacton Capacity Return and Reallocation Process
11. **“NTS Interconnection Point Entry Capacity”** means NTS Entry Capacity at an Interconnection Point.
12. **“Residual Capacity”** means a User’s remaining NTS Entry Capacity rights following the User’s return of existing Capacity rights under the Bacton Capacity Return and Initial Reallocation Invitation.
13. **“Unbundled NTS Interconnection Point Entry Capacity”** means NTS Interconnection Point Entry Capacity at an Interconnection Point which has been auctioned separately at that Interconnection Point, from capacity rights provided by any Adjacent Transporter.

2 High level view of the reallocation process

1. Users are invited to specify the quantity of their existing Registered NTS Entry Capacity rights that they want to return to National Grid NTS and to indicate where they wish their remaining existing Registered NTS Entry Capacity rights (Residual Capacity) at the existing Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs. For the avoidance of doubt, a User can indicate that they require all of their Residual Capacity at the existing Bacton ASEP for any relevant period to be allocated to only one of the two new ASEPs (i.e. that they require zero at the other new ASEP for that period).
2. Where Capacity is returned by a User to National Grid NTS, the User will be relieved of any transportation charges that would otherwise pertain to it. The returned capacity will therefore be available to National Grid NTS to offer it for sale in subsequent capacity auctions at the applicable new Bacton ASEPs.
3. Bacton Users that are also Transferor Users will be invited to indicate where they wish their existing NTS Capacity Transfers at the existing Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs.
4. Residual Capacity rights at the Bacton ASEP will be reallocated (by National Grid NTS on behalf of the User) at the new ASEPs at Bacton.
5. NTS Capacity Transfers at the existing Bacton ASEP will be reallocated (by National Grid NTS on behalf of the Transferor User and Transferee User) at the new ASEPs at Bacton as requested by the relevant Transferor User.
6. At the new Bacton IP ASEP, Users will be registered as holding NTS Interconnection Point Entry Capacity. Some existing UNC rules and processes as appropriate will apply to this type of NTS Entry Capacity but note that certain processes and arrangements concerning NTS Interconnection Point Entry Capacity held at the Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation.
7. At the Bacton UKCS ASEP, Users will be registered as holding NTS Entry Capacity and all the existing UNC rules and processes will continue to apply to this NTS Entry Capacity.
8. National Grid NTS will only reallocate the NTS Entry Capacity/NTS Interconnection Point Entry Capacity in full where it is less than or equal to the Obligated level for that ASEP for the relevant Month/Quarter.
9. NTS Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton UKCS ASEP at a weighted average price; that is, the volume weighted average price of that User’s NTS Entry Capacity, over all the auctions during which they previously purchased

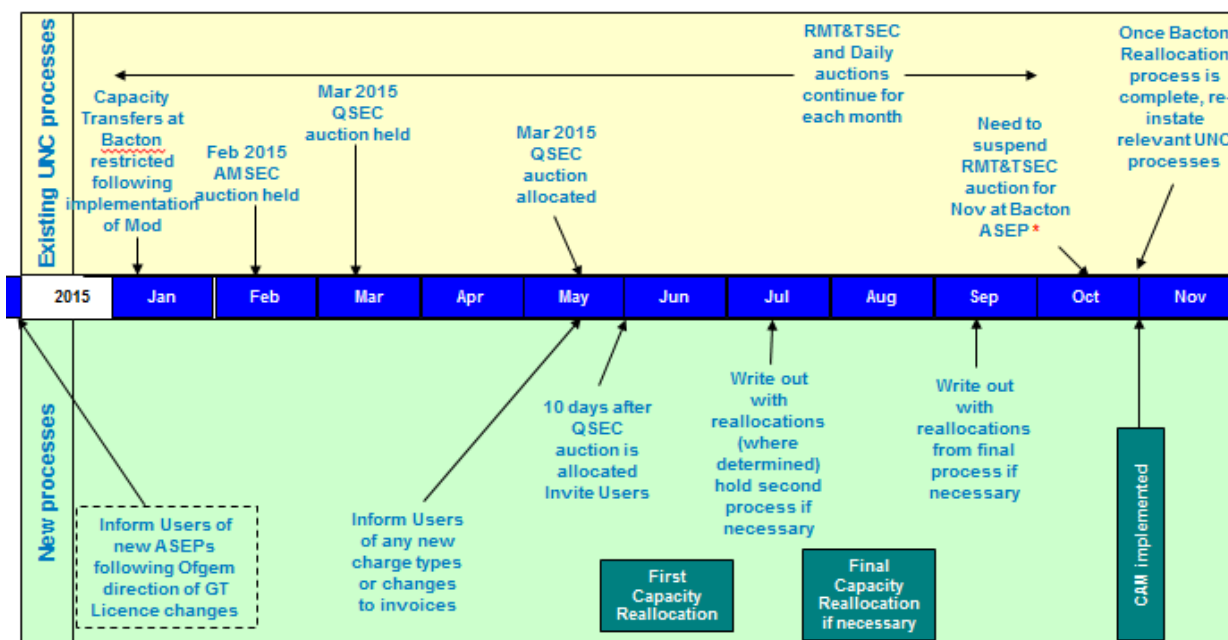
NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP. The weighted average price will directly feed into the overrun calculation for the new Bacton UKCS ASEP.

10. Similarly, NTS Interconnection Point Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton IP ASEP at a weighted average price; that is, the volume weighted average price of that User's NTS Entry Capacity, over all the auctions during which they previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP. The weighted average price will directly feed into the overrun calculation for the new Bacton IP ASEP.
11. In respect of any relevant month or quarter, Bacton Users (and, in respect of relevant NTS Entry Capacity Transfers, Transferor Users) should ensure that the quantities they specify under the above processes are entirely consistent with their existing Registered NTS Entry Capacity (subject to any return of capacity) and are consistent with allocating existing Bacton ASEP NTS Entry Capacity Transfers to the new Bacton ASEPs. In particular, a Bacton User must ensure that the quantities it specifies under paragraph 1 above are sufficient to meet in full its intention for the quantities it specifies under paragraph 3 above. In the event that a User specifies quantities that are not consistent with these conditions, National Grid NTS will, for the relevant month or quarter, reject the User's request and invoke a default reallocation on the User's behalf.
12. The default reallocation will, for the relevant month or quarter, reallocate existing Registered NTS Entry Capacity between the new Bacton ASEPs in proportion to the obligated levels (or baselines) of the new Bacton ASEPs. Relevant NTS Entry Capacity Transfers will be apportioned between the two new Bacton ASEPs in the same way.

3 The Bacton Capacity Return and Reallocation process

1. This process will begin after the March 2015 auction in respect of Quarterly NTS Entry Capacity is allocated and is anticipated to be completed by 30th September 2015 to be effective for NTS Entry Capacity held on and from 01 November 2015. An indicative timeline for the reallocation process is shown below (the return process will run concurrently with the reallocation process):

Timeline for Bacton Reallocation process



The day-ahead auctions for Bacton UKCS and Bacton IP will commence on 31st October 2015.

2. National Grid NTS will invite all Bacton Users who currently hold Registered NTS Entry Capacity at the Bacton ASEP from 01 November 2015 onwards to (a) return to National Grid NTS some (which might be zero) or all of their Registered NTS Entry Capacity at the Bacton ASEP and (b) reallocate their Residual Capacity for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards⁹ to the new Bacton UKCS ASEP or Bacton IP ASEP. For the avoidance of doubt, the definition of Registered NTS Entry Capacity within UNC TPD B5 will be applied throughout this Modification.
3. National Grid NTS will invite all relevant Transferor Users who have existing NTS Entry Capacity Transfers at the Bacton ASEP from 01 November 2015 onwards to reallocate their NTS Entry Capacity Transfers at the Bacton ASEP for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards to the new Bacton UKCS ASEP and/or Bacton IP ASEP.
4. Within Ten Business Days following the allocation of the March 2015 auction in respect of Quarterly NTS Entry Capacity, National Grid NTS will invite (the Bacton Capacity Return and Initial Reallocation Invitation) all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP and all Bacton Users that are Transferor Users who hold NTS Entry Capacity Transfers from 01 November 2015 onwards to indicate what quantity of their Registered NTS Entry Capacity they want to be returned to National Grid NTS and what quantity of the Residual Capacity and NTS Entry Capacity Transfers they want be held in future at the Bacton UKCS ASEP and/or the Bacton IP ASEP. Note that Users will be allocated NTS Entry Capacity at the Bacton UKCS ASEP and NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. As NTS Interconnection Point Entry Capacity is a type of NTS Entry Capacity, we use the term NTS Entry Capacity in the following paragraphs to mean both.

⁹ The invitation will specify months for the initial year of the period as the NTS Entry Capacity could have been bought through either AMSEC or QSEC auctions so different amounts of NTS Entry Capacity could be held for different months. Whereas for the period 1 October 2016 onwards, the capacity could only have been bought in QSEC auctions and so the amounts of NTS Entry Capacity will only vary per quarter.

5. The Bacton Capacity Return and Initial Reallocation Invitation will, specific to each Registered Capacity holder, state:
 - a. The Initial Period (Months from 01 November 2015 to 30 September 2016 and Quarters from 01 October 2016 to 30 September 2031) for which (a) returns and reallocations of NTS Entry Capacity and (b) reallocations of NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being sought
 - b. The existing Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP
 - d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days of invite and means (which shall be by facsimile) by which Users can signal their required return and reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent. For each Business Day Users can submit their requests between 08:00am and 17:00pm
 - g. That a User cannot request reallocation of a quantity less than or greater than their Residual Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Residual Capacity at the Bacton ASEP
 - i. The User to provide a quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. The date by which National Grid NTS will provide back to Users the result of the Initial Capacity Reallocation.
6. If a Bacton User does not respond to the Bacton Capacity Return and Initial Reallocation Invitation by the date indicated, National Grid NTS will assume that the Bacton User wants to reallocate its Registered NTS Entry Capacity for each of the relevant Months or Quarters of the Initial Period for which that User holds Registered NTS Entry Capacity between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
7. If a Transferor User does not respond to the Bacton Capacity Return and Initial Reallocation invitation by the date indicated, National Grid NTS, on behalf of the Users involved (the Transferor and Transferee Users of the relevant Transfer), will recreate the NTS Entry Capacity Transfer using the same proportions as the Transferor's split of their Residual Capacity between the Bacton UKCS ASEP and the Bacton IP ASEP.
8. Within five Business Days after the date by which Bacton Users need to respond to the Bacton Capacity Return and Initial Reallocation Invitation, National Grid NTS will undertake the Initial

Capacity Reallocation and notify each relevant User by facsimile of the outcome. This will include a statement of the quantities of capacity returned to National Grid NTS and confirmation that the allocation and/or registration of the returned capacity quantities will be cancelled.

9. The process that National Grid NTS will utilise for the Initial Capacity Reallocation is as follows:
 - a. National Grid NTS will calculate the aggregate level of NTS Entry Capacity rights requested by Users for each Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP
 - b. Provided that the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level of NTS Entry Capacity at each of the Bacton UKCS ASEP and the Bacton IP ASEP for a given Month/Quarter, National Grid NTS will
 - i. allocate that NTS Entry Capacity in accordance with the User's individual requests; and
 - ii. dependent upon 5 above, recreate the NTS Capacity Transfer in accordance with the Transferor User's requests
 - c. If in any Month/Quarter and at either ASEP, the aggregate level of NTS Entry Capacity rights is above the relevant Obligated level of NTS Entry Capacity, National Grid NTS will not allocate any NTS Entry Capacity rights, or recreate NTS Entry Capacity Transfers, to Users for that Month or Quarter (but will allocate for the other Months or Quarters)
 - d. National Grid will write to relevant Users to inform the results of the Initial Capacity Reallocation which will show the aggregate and the User's individual reallocations of NTS Entry Capacity for each of the two new ASEPs detailing the:
 - i. Relevant Months or Quarters
 - ii. ASEP
 - iii. Quantity in kWh/day allocated
 - iv. Transferred quantity for the Transferor User/Transferee User
 - e. National Grid will also inform relevant Users of any Months or Quarters which are not reallocated as the aggregate level of NTS Entry Capacity rights requested was above the relevant Obligated level of NTS Entry Capacity at either new ASEP and therefore that a second invitation (the Bacton Capacity Final Reallocation Invitation) will be issued.
10. If the Initial Capacity Reallocation does not fully reallocate all Residual Capacity for all Months/Quarters to the two new ASEPs, National Grid NTS will within five Business Days issue a Bacton Capacity Final Reallocation Invitation to all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP for the particular Months/Quarters affected to re-indicate where they would wish their Residual Capacity and, where applicable, NTS Entry Capacity Transfer(s) to be held in future; either at the Bacton UKCS ASEP or the Bacton IP ASEP.
11. The Bacton Capacity Final Reallocation Invitation will state:
 - a. The relevant Months/Quarters within the Initial Period for which reallocations of Residual Capacity and NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being re-sought, together with the aggregate quantity of Residual Capacity which was requested for the relevant Months/Quarters during the Initial Capacity Reallocation. Note that this will only be for periods where no reallocation took place

following the Initial Capacity Reallocation as the aggregate level of NTS Entry Capacity rights requested was above the relevant Obligated level of NTS Entry Capacity at either new ASEP.

- b. The Residual Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters in the Initial Period
 - d. The existing weighted average price of that User's Residual Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days and means (which shall be by facsimile) by which Users can signal their required reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent. For each Business Day Users can submit their requests between 08:00am and 17:00pm
 - g. That a User cannot request reallocation of a quantity less than or greater than their Residual Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Residual Capacity at the Bacton ASEP
 - i. The User to provide a quantity by ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. That, in the event of a User being allocated capacity in excess of the quantity it requests at either the Bacton UKCS or Bacton IP ASEP, the User can specify beforehand that the allocation be capped at the requested level and the excess capacity be returned to National Grid NTS.
 - l. The date by which National Grid NTS will provide back to Users the result of the Final Capacity Reallocation.
12. If a User does not respond to the Bacton Capacity Final Reallocation Invitation by the date indicated, National Grid NTS will
- a. reallocate the User's Residual Capacity for each of the relevant Months or Quarters for which that User holds Residual Capacity within the Initial Period between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
 - b. recreate the NTS Capacity Transfer using the same proportions as the Transferor User's split of their Residual Capacity at the current Bacton ASEP between the Bacton UKCS ASEP and the Bacton IP ASEP.
13. Within five business days after the date by which Users needed to respond to the Bacton Capacity Final Reallocation Invitation, National Grid NTS will undertake the Final Capacity Reallocation and notify Users of the outcome. This will include a statement of the quantities of capacity returned to National Grid NTS as a consequence of the capping option and

confirmation that the allocation and/or registration of the returned capacity quantities will be cancelled.

14. The process National Grid NTS will utilise for the Final Capacity Reallocation is as follows:
- a. National Grid will calculate the aggregate level of Residual Capacity rights requested by Users for each relevant Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP
 - b. Provided that the aggregate level of Residual Capacity rights requested is below the relevant Obligated level at each of the Bacton UKCS ASEP and the Bacton IP ASEP for the particular Month/Quarter, National Grid NTS will allocate that Residual Capacity in accordance with the User's individual requests
 - c. National Grid NTS will recreate NTS Entry Capacity Transfers at the new Bacton ASEPs for the relevant Transferor Users in accordance with Transferor Users' requests
 - d. If in any Month/Quarter and at either ASEP, the aggregate level of Residual Capacity rights requested is above the relevant Obligated level of NTS Entry Capacity, National Grid NTS will allocate the relevant Residual Capacity for that Month/ASEP or Quarter/ASEP combination pro rata to the aggregate amount applied for by all Users. Subject to sub-paragraph e below, the Users' remaining Residual Capacity after the proration has taken place will be allocated to the other new Bacton ASEP (Bacton UKCS or Bacton IP as relevant).

Where a User has made a request under paragraph c above, NTS Entry Capacity Transfers will be recreated to the fullest extent possible at the specified new Bacton ASEPs following any proration of the Residual Capacity at one of the new Bacton ASEPs, i.e. Entry Capacity Transfers will not be subject to proration.

Therefore, in the event that, as a consequence of proration at one of the new Bacton ASEPs, there is insufficient Residual Capacity reallocated to the prorated new Bacton ASEP to fully meet a quantity requested under paragraph c above, then

- (i) the quantity requested by the Transferor for each Transfer will be deemed to be reduced proportionately so that the sum of the reduced quantities is equal to the prorated Residual Capacity and
 - (ii) for the avoidance of doubt, the reduction quantity (or quantities) in (i) will not be allocated to an NTS Entry Capacity Transfer(s) at the non-prorated new Bacton ASEP.
- e. In the event that a User has specified that the allocation of its Residual Capacity at a new Bacton ASEP should be capped at the requested level and the allocation under sub-paragraph d above would have been in excess of the requested level, the allocation will be the requested level and the quantity of (excess) capacity not allocated as a consequence will be returned to National Grid NTS.
- f. National Grid will write to each relevant User(s) to inform them of the results of the Final Capacity Reallocation which will include both the aggregate and the User's individual returns and reallocations of Residual Capacity for each of the two new ASEPs detailing the:
- i. Relevant Months or Quarters

- ii. ASEP
 - iii. Quantity returned and reallocated in kWh/day
 - iv. Transferred quantity for the Transferor User/Transferee User
15. Following the completion of the Initial Capacity Reallocation and where relevant the Final Capacity Reallocation, National Grid will undertake the return and reallocation of the NTS Entry Capacity and where appropriate NTS Entry Capacity Transfers on the Users' behalf. This will not require the Users to undertake any actions on National Grid NTS' systems.
 16. National Grid NTS will:
 - a. set the relevant User's Registered NTS Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton UKCS ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter and
 - b. set the relevant User's Registered NTS Interconnection Point Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton IP ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter¹⁰.
 17. National Grid NTS will update its computer system(s) with the above details within ten Business Days of writing to Users to inform them of their NTS Entry Capacity returns and reallocations.
 18. National Grid NTS will then publish the aggregate results of the Bacton Capacity Return and Reallocation Process to all Users.
 19. Following the completion of the Bacton Capacity Return and Reallocation Process, Users will be liable to pay NTS Entry Capacity Charges for the period from 1 November 2015 for the reallocated NTS Entry Capacity rights at the Bacton UKCS ASEP and/or Bacton IP ASEP as appropriate¹¹. For the avoidance of doubt, Users will not be liable to pay for any capacity returned to National Grid NTS. These NTS Entry Capacity Charges will be invoiced in accordance with the existing provisions of the UNC.

4 Implications of running the Bacton Capacity Reallocation process

1. Completion of the Bacton capacity Reallocation Process will have implications for a number of UNC processes at the Bacton ASEP, Bacton UKCS ASEP and the Bacton IP ASEP.
2. **At the Bacton ASEP:**
 - From the implementation date of the Modification Proposal, New Transfers of NTS Entry Capacity (in accordance with TPD B5) which have either a start or end date of the 01 November 2015 or later will be rejected

¹⁰ The NTS Interconnection Point Entry Capacity will be flagged as Unbundled NTS Interconnection Point Entry Capacity in Gemini and will be deemed to be in monthly strips for the period 1 November 2015 to 30 September 2016 and in quarterly strips for the periods beyond 1 October 2016.

¹¹ Note that the current assumption is that the existing bids for NTS Entry Capacity at the Bacton ASEP will remain in Gemini and so Users will still receive an invoice for these, but Users will also receive a credit for this NTS Entry Capacity, such that the two transactions will net off to zero.

- New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date prior to the 31 October and an end date no later than 31 October 2015 may be permitted
 - From the implementation date of the Modification Proposal, National Grid will not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period 01 November 2015 onwards
 - For clarification NTS Entry Capacity Constraint Management Agreements are permitted for the period up to and including 31 October 2015
 - The September 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for October 2015) will be the final RMTTSEC at the Bacton ASEP
 - Daily NTS Entry Capacity (Firm and Interruptible) auctions will be applicable up to and including Gas Day 31 October 2015 and cease thereafter
3. **At the Bacton UKCS ASEP** from completion of the Final Reallocation Process;
- New Transfers of NTS Entry Capacity (in accordance with TPD B5) which have a start date prior to the 01 November 2015 will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date on or after 1 November 2015 may be permitted
 - National Grid may not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period prior to 1 November 2015 but may tender for a period commencing on or after 1 November 2015
 - The November 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for December 2015) will be the first RMTTSEC in which the Bacton UKCS ASEP will be included
 - Gas Day 1 November 2015 will be the first Day for which Daily NTS Entry Capacity (Firm and Interruptible) auctions are effective. Users will be able to submit Bids seven days prior to the 1 November (D-7)
4. The availability and booking of NTS Interconnection Point Entry Capacity at Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation, and until such time as the relevant NTS Interconnection Point Entry Capacity processes have been implemented there will be no facilities for:
- NTS Interconnection Point Entry Capacity Auctions
 - NTS Interconnection Point Entry Capacity Transfers
5. NTS Entry Capacity Charges (covering NTS Entry Capacity or NTS Interconnection Point Entry Capacity as appropriate), NTS Entry Commodity Charges and Capacity Surrender Charges will apply as per TPD B2.11 (and TPD Section Y).
6. Relevant NTS Entry Commodity Charges as per TPD Section Y will continue to apply. For clarification, in the event that NTS Entry Capacity is returned to National Grid NTS, the level of the NTS TO Entry Commodity Charge may be affected.
7. Overrun charges will continue to apply at the two new ASEPs as per TPD B2.12.
8. Capacity Neutrality arrangements will continue to apply as per TPD B2.13.

9. The arrangements regarding the operation of the NTS Optional Commodity Rate will continue to apply as per TPD B3.12, but Users will need to make a Supply Point Commodity Rate Renomination for the new ASEPs in accordance with TPD G2.3.
10. Entry arrangements at the two new ASEPs will apply as per TPD Section I.
11. TBE publication data in accordance with TPD Section O will now cover the two new ASEPs at Bacton.
12. Invoicing and payment to cover the two new ASEPs will continue to apply as per TPD Section S.
13. Credit arrangements/termination will continue to apply as per TPD Section V.

11 Appendix 3 – 0501B Business Rules

Modification 0501B

It is proposed that a number of new processes and terms be introduced into the UNC in relation to the process being undertaken regarding NTS Entry Capacity currently held by Users at the Bacton ASEP:

1 New Terms¹²

1. **“Adjacent Transporter”** means the operator of a transmission system connected to (or designated as connected to) the National Transmission System at an Interconnection Point
2. **“Bacton ASEP”** is the Aggregate System Entry Point currently referenced within National Grid NTS' Transporter's Licence as the Bacton NTS Entry Point;
3. **“Bacton IP ASEP”** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated as NTS Interconnection Point Entry Capacity to facilitate the implementation of the EU CAM Code and ;
4. **“Bacton UKCS ASEP”** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated to facilitate the implementation of the EU CAM Code;
5. **“Bacton User”** means a User who holds Relevant Registered NTS Entry Capacity at the Bacton ASEP on the relevant date for any period following 1 November 2015;
6. **“Bacton Capacity Final Reallocation Invitation”** means a second (and final) invitation made to surrender existing NTS Entry Capacity rights at the existing Bacton ASEP to be reallocated as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. This invitation is only triggered if the Bacton Capacity Initial Reallocation Invitation does not completely reallocate all the NTS Entry Capacity rights at the existing Bacton ASEP
7. **“Bacton Capacity Initial Reallocation Invitation”** means an initial invitation made to surrender existing NTS Entry Capacity rights at the existing Bacton ASEP to be reallocated as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP
8. **“Bacton Capacity Reallocation Process”** means the process by which National Grid NTS reallocates existing NTS Entry Capacity rights at the existing Bacton ASEP as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP
9. **“Bacton Capacity Return Invitation”** means an invitation made to return reallocated NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. This invitation is only triggered if the User's reallocated NTS Entry Capacity rights at one of the newly created ASEPs at Bacton are in excess of the amount requested following the Bacton Capacity Final Reallocation Invitation.
10. **“Bacton Capacity Return Process”** means the process by which Bacton Users have an opportunity to return relevant Registered NTS Entry Capacity to National Grid NTS in

¹² These terms are included within the modification proposal to assist the reader. The eventual legal drafting may result in different terms and definitions being introduced into the UNC.

circumstances where their reallocation of NTS Entry Capacity at a new Bacton ASEP exceeds the level they requested in response to the Bacton Capacity Final Reallocation Invitation

11. **“Final Capacity Reallocation”** means the result of the second application of the Bacton Capacity Reallocation Process and, where relevant the Bacton Capacity Return Process
12. **“Initial Capacity Reallocation”** means the result of the first application of the Bacton Capacity Reallocation
13. **“NTS Interconnection Point Entry Capacity”** means NTS Entry Capacity at an Interconnection Point.
14. **“Returnable Capacity”** means a Bacton User’s reallocated NTS Entry Capacity at a newly created Bacton ASEP which exceeds the level they requested at that ASEP in response to the Bacton Capacity Final Reallocation Invitation. The User may return all or some of the Returnable Capacity.
15. **“Unbundled NTS Interconnection Point Entry Capacity”** means NTS Interconnection Point Entry Capacity at an Interconnection Point which has been auctioned separately at that Interconnection Point, from capacity rights provided by any Adjacent Transporter.

2 High level view of the reallocation process

1. Users are invited to indicate where they wish their existing Registered NTS Entry Capacity rights at the existing Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs. For the avoidance of doubt, a User can indicate that they require all their existing Registered NTS Entry Capacity rights at the existing Bacton ASEP for any relevant period to be allocated to only one of the two new ASEPs (i.e. that they require zero at the other new ASEP for that period).
2. Bacton Users that are also Transferor Users will be invited to indicate where they wish their existing NTS Capacity Transfers at the Bacton ASEP, from 01 November 2015 onwards, to be split between the two new ASEPs.
3. NTS Entry Capacity rights at the Bacton ASEP will be reallocated (by National Grid NTS on behalf of the User) at the new ASEPs at Bacton.
4. NTS Entry Capacity Transfers at the Bacton ASEP will be reallocated (by National Grid NTS on behalf of the Transferor User and Transferee User) at the new ASEPs at Bacton as requested by the relevant Transferor User.
5. At the new Bacton IP ASEP, Users will be registered as holding NTS Interconnection Point Entry Capacity. Some existing UNC rules and processes as appropriate will apply to this type of NTS Entry Capacity but note that certain processes and arrangements concerning NTS Interconnection Point Entry Capacity held at the Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation under Modification 500.
6. At the Bacton UKCS ASEP, Users will be registered as holding NTS Entry Capacity and all the existing UNC rules and processes will continue to apply to this NTS Entry Capacity.
7. National Grid NTS will only reallocate the NTS Entry Capacity/NTS Interconnection Point Entry Capacity in full where it is less than or equal to the Obligated level for that ASEP for the relevant Month/Quarter.
8. NTS Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton UKCS ASEP at a weighted average price. The application of the volume weighted average price of that User’s NTS Entry Capacity over all the auctions during which they

previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP.

9. Similarly, NTS Interconnection Point Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton IP ASEP at a weighted average price. The application of the volume weighted average price of that User's NTS Entry Capacity over all the auctions during which they previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP.
10. National Grid NTS will only reallocate Transfers where the Transferor has Registered NTS Entry Capacity that is equal to or greater than the transferred quantity and where the Transfer is for a calendar month(s) or calendar quarter(s).
11. Users will be entitled to return all or some NTS Entry Capacity, which National Grid NTS reallocates to one of the newly created Bacton ASEPs, to the extent that the reallocated NTS Entry capacity is in excess of the amount the Bacton User requested at that Bacton ASEP in response to the Bacton Final Reallocation Invitation.
12. Where Capacity is returned by a User to National Grid NTS, the User will be relieved of any transportation charges that would otherwise pertain to it. The returned NTS Entry Capacity will therefore be available to National Grid NTS to offer it for sale in subsequent NTS Entry Capacity auctions at the applicable new Bacton ASEPs.

3 The Bacton Capacity Reallocation and restricted Capacity Return processes

1. This process will begin after the March 2015 auction in respect of Quarterly NTS Entry Capacity is allocated and is anticipated to be completed by 30th September 2015 to be effective for NTS Entry Capacity held on and from 01 November 2015.
2. National Grid NTS will invite all Users who currently hold Registered NTS Entry Capacity at the Bacton ASEP from 01 November 2015 onwards to reallocate their Registered NTS Entry Capacity at the Bacton ASEP for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards¹³ to the new Bacton UKCS ASEP and/or Bacton IP ASEP. For the avoidance of doubt, the definition of Registered NTS Entry Capacity within UNC TPD B5 will be applied throughout this Modification.
3. National Grid NTS will invite all Bacton Users that have existing NTS Entry Capacity Transfers at the Bacton ASEP from 01 November 2015 onwards to reallocate their NTS Entry Capacity Transfers at the Bacton ASEP for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards to the new Bacton UKCS ASEP and/or Bacton IP ASEP.
4. Within Ten Business Days following the allocation of the March 2015 auction in respect of Quarterly NTS Entry Capacity, National Grid NTS will invite (the Bacton Capacity Initial Reallocation Invitation) all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP and all Bacton Users that have NTS Entry Capacity Transfers from 01 November 2015 onwards to indicate what quantity of their Registered NTS Entry Capacity and NTS Entry Capacity Transfers they want to be held in future at the Bacton UKCS ASEP and/or the Bacton IP ASEP. Note that Users will be allocated NTS Entry Capacity at the Bacton UKCS ASEP and NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. As NTS Interconnection Point

¹³ The invitation will specify months for the initial year of the period as the NTS Entry Capacity could have been bought through either AMSEC or QSEC auctions so different amounts of NTS Entry Capacity could be held for different months. Whereas for the period 1 October 2016 onwards, the capacity could only have been bought in QSEC auctions and so the amounts of NTS Entry Capacity will only vary per quarter.

Entry Capacity is a type of NTS Entry Capacity, we use the term NTS Entry Capacity in the following paragraphs to mean both.

5. The Bacton Capacity Initial Reallocation Invitation will state, specific to each Registered Capacity holder:
 - a. The Initial Period (Months from 01 November 2015 to 30 September 2016 and Quarters from 01 October 2016 to 30 September 2031) for which reallocations of NTS Entry Capacity and NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being sought
 - b. The existing Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days of invite and means (which shall be via facsimile) by which Users can signal their required reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent, (For each Business Day Users can submit their requests between 08:00am and 17:00pm)
 - g. That a User cannot request reallocation of a quantity less than or greater than their Registered NTS Entry Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Registered NTS Entry Capacity at the Bacton ASEP
 - i. The User to provide a quantity by ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. The date by which National Grid NTS will provide back to Users the result of the Initial Capacity Reallocation.
6. If a Bacton User does not respond to the Bacton Capacity Initial Reallocation Invitation by the date indicated, National Grid NTS will assume that the Bacton User wants to reallocate its Registered NTS Entry Capacity for each of the relevant Months or Quarters of the Initial Period for which that User holds Registered NTS Entry Capacity between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
7. Where a Transferor User does not respond to the Bacton Capacity Initial Reallocation Invitation by the date indicated, National Grid NTS, on behalf of the Users involved (the Transferor and Transferee Users of the relevant Transfer), will recreate the NTS Entry Capacity Transfer using the same proportions as the Transferor's split of their primary holdings at the current Bacton ASEP between the Bacton UKCS ASEP and the Bacton IP ASEP.

8. Within five Business Days after the date by which Bacton Users need to respond to the Bacton Capacity Initial Reallocation Invitation, National Grid NTS will undertake the Initial Capacity Reallocation and notify each relevant User by facsimile of the outcome.
9. The process that National Grid NTS will utilise for the Initial Capacity Reallocation is as follows:
 - a. National Grid NTS will calculate the aggregate level of NTS Entry Capacity rights requested by Users for each Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP
 - b. Provided that the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level of NTS Entry Capacity at each of the Bacton UKCS ASEP and the Bacton IP ASEP for a given Month/Quarter, National Grid NTS will
 - i. dependent on 5g above allocate that NTS Entry Capacity in accordance with the User's individual requests; and
 - ii. dependent upon 5h above recreate the NTS Capacity Transfer in accordance with the Transferor Users requests
 - c. If in any Month/Quarter and at either ASEP, the aggregate level of NTS Entry Capacity rights is above the relevant Obligated level of NTS Entry Capacity, National Grid NTS will not allocate any NTS Entry Capacity rights or recreate NTS Entry Capacity Transfers to Users for that Month or Quarter (but will allocate for the other Months or Quarters)
 - d. National Grid will write to relevant Users to inform the results of the Initial Capacity Reallocation which will show the aggregate and the User's individual reallocations of NTS Entry Capacity for each of the two new ASEPs in the form detailing the:
 - i. Relevant Months or Quarters
 - ii. ASEP
 - iii. Quantity in kWh/day allocated
 - iv. Transferred quantity for the Transferor User/Transferee User
 - e. National Grid will also inform relevant Users of any Months or Quarters which are not reallocated as the aggregate level of NTS Entry Capacity rights requested was above the relevant Obligated level of NTS Entry Capacity at either new ASEP and therefore that a second invitation (the Bacton Capacity Final Reallocation Invitation) will be issued.
10. If the Initial Capacity Reallocation does not fully reallocate all existing NTS Entry Capacity for all Months/Quarters to the two new ASEPs, National Grid NTS will within five Business Days issue a Bacton Capacity Final Reallocation Invitation to all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP for the particular Months/Quarters affected to re-indicate where they would wish their Registered NTS Entry Capacity and, where applicable, NTS Entry Capacity Transfer(s) to be held in future; either at the Bacton UKCS ASEP or the Bacton IP ASEP.
11. The Bacton Capacity Final Reallocation Invitation will state:
 - a. The relevant Months/Quarters within the Initial Period for which reallocations of NTS Entry Capacity and NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being re-sought, together with the aggregate quantity of NTS Entry Capacity which was requested for the relevant Months/Quarters during the Initial Capacity Reallocation. Note that this will only be for periods where no reallocation

took place following the Initial Capacity Reallocation as the aggregate level of NTS Entry Capacity rights requested was above the relevant Obligated level of NTS Entry Capacity at either new ASEP.

- b. The existing Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days and means (which shall be via facsimile) by which Users can signal their required reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent, (For each Business Day Users can submit their requests between 08:00am and 17:00pm)
 - g. That a User cannot request reallocation of a quantity less than or greater than their Registered NTS Entry Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Registered NTS Entry Capacity at the Bacton ASEP
 - i. The User to provide a quantity by ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. The date by which National Grid NTS will provide back to Users the result of the Final Capacity Reallocation.
12. If a User does not respond to the Bacton Capacity Final Reallocation Invitation by the date indicated, National Grid NTS will:
- a. reallocate the Users Registered NTS Entry Capacity for each of the relevant Months or Quarters for which that User holds Registered NTS Entry Capacity within the Initial Period between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
 - b. recreate the NTS Entry Capacity Transfer(s) using the same proportions as the Transferor User's split of their primary holdings at the current Bacton ASEP between the Bacton UKCS ASEP and the Bacton IP ASEP
13. Within five business days after the date by which Users needed to respond to the Bacton Capacity Final Reallocation Invitation, National Grid NTS will undertake the following process:
- a. National Grid will calculate the aggregate level of NTS Entry Capacity rights requested by Users for each relevant Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP

- b. Provided that the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level at each of the Bacton UKCS ASEP and the Bacton IP ASEP for the particular Month/Quarter, National Grid NTS will allocate that NTS Entry Capacity in accordance with the User's individual requests
 - c. National Grid NTS will recreate NTS Entry Capacity Transfers in accordance with the relevant Transferor Users' requests as appropriate.
 - d. National Grid NTS will write to each relevant User(s) to inform them of the results of the Final Capacity Reallocation (where the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level at each of the Bacton UKCS ASEP and the Bacton IP ASEP) detailing
 - i. Relevant Months or Quarters
 - ii. ASEP
 - iii. Quantity in kWh/day
 - iv. Transferred quantity for the Transferor User/Transferee User
 - e. If in any Month/Quarter and at either ASEP, the aggregate level of NTS Entry Capacity rights requested in the Final Capacity Reallocation is above the relevant Obligated level of NTS Entry Capacity, National Grid NTS will allocate the relevant NTS Entry Capacity for that Month/ASEP or Quarter/ASEP combination pro rata to the aggregate amount applied for by all Users (with respect to each User, the **Pro Rated Capacity**). National Grid NTS will then allocate such Pro Rated Capacity to Transferee Users in accordance with the following provisions before allocating any Prp Rated Capacity to the Transferor:
 - i. Where a User has made a request under paragraph c above, then following proration NTS will take the following action in relation to each User's Transfer:
 - a. firstly, re-create the transfer in accordance with that request to the fullest extent possible (the amount is not to exceed the Users total allocated NTS Entry Capacity at either of the new ASEPS) ; and
 - b. secondly, if a Transferor is a party to more than one Entry Capacity Transfer, (a) shall be repeated with respect to each relevant Transfer so that the Pro Rated Capacity is apportioned to each Transferee up to, but not exceeding, the amount notified under paragraph c above for the relevant Month/ASEP or Quarter/ASEP. If the Pro Rated Capacity with respect to a Transferor is not sufficient to fully recreate the trade on NTS systems, to one or more Transferee in the amount requested by the Transferor, all Pro Rated Capacity shall be further pro rated and apportioned to each relevant Transferee in accordance with the proportions consistent with the amounts notified by the Transferor
 - ii. Following proration, any quantity of NTS Entry Capacity allocated to a User in excess of the level that the User has requested at that ASEP, shall be considered Returnable Capacity and will give rise to a Bacton Capacity Return Invitation.
- 14 If, following 13(e)(i) (a) and (b)), any Transferee has been apportioned less NTS Entry Capacity than the Transferor agreed to transfer to the Transferee (pursuant to an NTS Entry Capacity Transfer existing immediately prior to allocation in accordance with 13(e) above), the Transferor shall have no liability to the Transferee for the shortfall.

15. Where a User's reallocation of NTS Entry Capacity exceeds the level requested by them in response to the Bacton Capacity Final Reallocation i.e the User(s) have a quantity of Returnable Capacity greater than zero, National Grid NTS will issue a Bacton Capacity Return Invitation.
16. The Bacton Capacity Return Invitation shall state:
 - a. The relevant Months/Quarters within the Final Capacity Reallocation where the User's Registered NTS Entry Capacity has been reallocated to one of the newly created ASEPs in excess of the amount the User requested in response to the Bacton Capacity Final Reallocation Invitation.
 - b. The Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of which was reallocated to a newly created Bacton ASEP following the Final Reallocation Invitation.
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters following the Final Reallocation Invitation.
 - d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within five business days and means (which shall be via facsimile) by which Users can signal the amount of capacity they will return for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent, (For each Business Day Users can submit their requests between 08:00am and 17:00pm)
 - g. The date by which National Grid NTS will provide back to Users the result of the Final Capacity Reallocation.
17. The User shall submit to National Grid NTS the quantity of Returnable Capacity to be returned to National Grid NTS for the relevant Bacton ASEP by period (Month or Quarter).
 - a. The Bacton User cannot request to return a quantity of capacity greater than their Returnable Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - b. If the quantity requested by the Bacton User does exceed their permitted quantity of Returnable capacity, National Grid NTS will limit the quantity to the User's maximum Returnable Capacity.
18. If a User does not respond to the Bacton Capacity Return Invitation by the date indicated, National Grid NTS will allocate the Users returnable capacity to them as Registered NTS Entry Capacity for each of the relevant Months or Quarters as per the notification within the capacity return invitation.
19. Within five business days after the date by which Users needed to respond to the Bacton Capacity Return Invitation, National Grid NTS will notify the relevant Users of their allocations.
20. Following the Bacton Capacity Reallocation and Return Process, National Grid will undertake the reallocation of the NTS Entry Capacity and where appropriate NTS Entry Capacity Transfers on the Users behalf. This will not require the Users to undertake any actions on National Grid NTS' systems.
21. National Grid NTS will:

- a. set the relevant User's Registered NTS Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton UKCS ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter and
 - b. set the relevant User's Registered NTS Interconnection Point Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton IP ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter¹⁴.
22. National Grid NTS will update its computer system(s) with the above details within ten Business Days of writing to Users to inform them of their NTS Entry Capacity reallocations.
 23. National Grid NTS will then publish the aggregate results of the Bacton Capacity Reallocation Process and Bacton Capacity Return Process to all Users.
 24. Following the completion of the Bacton Capacity Reallocation Process and the Bacton Capacity Return Process, Users will be liable to pay NTS Entry Capacity Charges for the period from 1 November 2015 for the reallocated NTS Entry Capacity rights at the Bacton UKCS ASEP and/or Bacton IP ASEP as appropriate¹⁵. For the avoidance of doubt, Bacton Users will not be liable to pay for any NTS Entry Capacity returned to National Grid NTS following the Bacton Capacity Return Invitation. These NTS Entry Capacity Charges will be invoiced in accordance with the existing provisions of the UNC.

¹⁴ The NTS Interconnection Point Entry Capacity will be flagged as Unbundled NTS Interconnection Point Entry Capacity in Gemini and will be deemed to be in monthly strips for the period 1 November 2015 to 30 September 2016 and in quarterly strips for the periods beyond 1 October 2016.

¹⁵ Note that the current assumption is that the existing bids for NTS Entry Capacity at the Bacton ASEP will remain in Gemini and so Users will still receive an invoice for these, but Users will also receive a credit for this NTS Entry Capacity, such that the two transactions will net off to zero.

4 Implications of running the Bacton Capacity Reallocation process

1. Completion of the Bacton Capacity Reallocation Process and Bacton Capacity Return Process (i.e. the Final Capacity Reallocation) will have implications for a number of UNC processes at the Bacton ASEP, Bacton UKCS ASEP and the Bacton IP ASEP.
2. **At the Bacton ASEP;**
 - From the implementation date of the Modification Proposal new Transfers of NTS Entry Capacity (in accordance with TPD B5) which have either a start or end date of the 01 November 2015 or later will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date prior to the 31 October and an end date no later than 31 October 2015 may be permitted
 - From the implementation date of the Modification Proposal National Grid will not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period 01 November 2015 onwards
 - For clarification NTS Entry Capacity Constraint Management Agreements are permitted for the period up to and including 31 October 2015
 - The September 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for October 2015) will be the final RMTTSEC at the Bacton ASEP
 - Daily NTS Entry Capacity (Firm and Interruptible) auctions will be applicable up to and including Gas Day 31 October 2015 and cease thereafter
3. **At the Bacton UKCS ASEP** from completion of the Final Reallocation:
 - New Transfers of NTS Entry Capacity (in accordance with TPD B5) which have a start date prior to the 01 November 2015 will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date on or after 1 November 2015 may be permitted
 - National Grid may not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period prior to 1 November 2015 but may tender for a period commencing on or after 1 November 2015
 - The November 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for December 2015) will be the first RMTTSEC in which the Bacton UKCS ASEP will be included
 - Gas Day 1 November 2015 will be the first Day for which Daily NTS Entry Capacity (Firm and Interruptible) auctions are effective. Users will be able to submit Bids seven days prior to the 1 November (D-7)
4. The availability and booking of NTS Interconnection Point Entry Capacity at Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation under UNC Modification 0500, until such time as the relevant NTS Interconnection Point Entry Capacity processes have been implemented there will be no facilities for:
 - NTS Interconnection Point Entry Capacity auctions
 - NTS Interconnection Point Entry Capacity Transfers

5. NTS Entry Capacity Charges (covering NTS Entry Capacity or NTS Interconnection Point Entry Capacity as appropriate), NTS Entry Commodity Charges and Capacity Surrender Charges will apply as per TPD B2.11 (and TPD Section Y).
6. The relevant NTS Entry Commodity Charges as per TPD Section Y will continue to apply. For clarification, in the event that NTS Entry Capacity is returned to National Grid NTS, the level of NTS TO Entry Commodity Charges may be affected.
7. Overrun charges will continue to apply at the two new ASEPs as per TPD B2.12.
8. Capacity Neutrality arrangements will continue to apply as per TPD B2.13.
9. The arrangements regarding the operation of the NTS Optional Commodity Rate will continue to apply as per TPD B3.12, but Users will need to make a Supply Point Commodity Rate Renomination for the new ASEPs in accordance with TPD G2.3.
10. Entry arrangements at the two new ASEPs will apply as per TPD Section I.
11. TBE publication data in accordance with TPD Section O will now cover the two new ASEPs at Bacton.
12. Invoicing and payment to cover the two new ASEPs will continue to apply as per TPD Section S.
13. Credit arrangements/termination will continue to apply as per TPD Section V.

12 Appendix 4 – 0501C Business Rules

Modification 0501C

It is proposed that a number of new processes and terms be introduced into the UNC in relation to the process being undertaken regarding NTS Entry Capacity currently held by Users at the Bacton ASEP:

1 New Terms¹⁶

1. **“Adjacent Transporter”** means the operator of a transmission system connected to (or designated as connected to) the National Transmission System at an Interconnection Point.
2. **“Bacton ASEP”** is the Aggregate System Entry Point currently referenced within National Grid NTS' Transporter's Licence as the Bacton NTS Entry Point.
3. **“Bacton IP ASEP”** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated as NTS Interconnection Point Entry Capacity to facilitate the implementation of the EU CAM Code.
4. **“Bacton UKCS ASEP”** is a new Aggregate System Entry Point to which NTS Entry Capacity at the Bacton ASEP may be reallocated to facilitate the implementation of the EU CAM Code.
5. **“Bacton User”** means a User who holds Relevant Registered NTS Entry Capacity at the Bacton ASEP on the relevant date for any period following 1 November 2015.
6. **“Bacton Capacity Final Reallocation Invitation”** means a second (and final) invitation made to surrender Residual Capacity rights at the existing Bacton ASEP to be reallocated as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. This invitation is only triggered if the Bacton Capacity Return and Initial Reallocation Invitation does not completely reallocate all of the Residual Capacity rights at the existing Bacton ASEP.
7. **“Bacton Capacity Return and Initial Reallocation Invitation”** means an invitation to return NTS Entry Capacity rights at the existing Bacton ASEP to National Grid NTS (and for the allocation and/or registration of these rights to relevant Users to be cancelled) and to reallocate the Residual Capacity as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP.
8. **“Bacton Capacity Return and Reallocation Process”** means the process by which (a) Users can return NTS Entry Capacity Rights to National Grid NTS (and which rights, and obligations pertaining to those rights, are therefore cancelled by National Grid NTS), (b) National Grid NTS reallocates the Residual Capacity at the existing Bacton ASEP as either NTS Entry Capacity at the Bacton UKCS ASEP and/or NTS Interconnection Point Entry Capacity at the Bacton IP ASEP and (c) Users have a final opportunity to return capacity to National Grid NTS in circumstances where their allocation of capacity at a new Bacton ASEP exceeds the level they requested.
9. **“Final Capacity Reallocation”** means the result of the second (and final) application of the Bacton Capacity Return and Reallocation Process in respect of Residual Capacity.
10. **“Initial Capacity Reallocation”** means the result of the first application of the Bacton Capacity Return and Reallocation Process.

¹⁶ These terms are included within the modification proposal to assist the reader. The eventual legal drafting may result in different terms and definitions being introduced into the UNC. Note existing definition for an Interconnection Point within TPD A1.8 is being retained.

11. **“Maximum Return Percentage”** means the Obligated level of NTS Entry Capacity ascribed to the new Bacton IP ASEP as bears proportion to the aggregate Obligated level of NTS Entry Capacity across both new Bacton ASEPs (per the proposed GT Licence change), which, subject to the outcome of Ofgem’s consultation, is anticipated to be a 72.77%.
12. **“Minimum Retention Percentage”** means the Obligated level of NTS Entry Capacity ascribed to the new Bacton UKCS ASEP as bears proportion to the aggregate Obligated level of NTS Entry capacity across both new Bacton ASEPs (per the proposed GT Licence change), which, subject to the outcome of Ofgem’s consultation, is anticipated to be a 27.23%.
13. **“NTS Interconnection Point Entry Capacity”** means NTS Entry Capacity at an Interconnection Point.
14. **“Residual Capacity”** means a User’s remaining NTS Entry Capacity rights at a new Bacton ASEP following the User’s return of existing Capacity rights under the Bacton Capacity Return and Initial Reallocation Invitation. In determining the quantum of a User’s Residual Capacity entitlement on a Day in respect of the aggregate overrun and bundled rebate regime, the User’s Residual Capacity entitlement shall be deemed to be the lesser of that User’s:
 - (a) Residual Capacity; and
 - (b) Available NTS Entry Capacity,on that Day.
15. **“Residual Capacity Rights”** means:
 - (a) relief from System Entry Overrun Charges; and
 - (b) rebate relief in circumstances where a User purchases a bundled Bacton IP ASEP product,attributable to Unutilised Residual Capacity held by a User, as more particularly described in this Modification.
16. **“Unbundled NTS Interconnection Point Entry Capacity”** means NTS Interconnection Point Entry Capacity at an Interconnection Point which has been auctioned separately at that Interconnection Point, from capacity rights provided by any Adjacent Transporter.
17. **“Unutilised Residual Capacity”** means, in respect of a Day, a User and a new Bacton ASEP, Residual Capacity which is not utilised by that User to deliver gas on that Day to the Total System at that new Bacton ASEP.

2 High level view of the reallocation process

1. Users are invited to specify the quantity of their existing Registered NTS Entry Capacity rights that they want to return to National Grid NTS (up to a maximum of the Maximum Return Percentage) and to indicate where they wish to allocate their remaining existing Registered NTS Entry Capacity rights (Residual Capacity), from 01 November 2015 onwards, to be split between the two new Bacton ASEPs. For the avoidance of doubt, a User can indicate that they require all of their Residual Capacity at the existing Bacton ASEP for any relevant period to be allocated to only one of the two new Bacton ASEPs (i.e. that they require zero at the other new Bacton ASEP for that period). In order to retain Residual Capacity Rights, all System Capacity Transfers comprising a System Transfer Period from 01 November 2015 onwards must be effected prior to the date on which National Grid NTS issues the Bacton Capacity Return and Initial Reallocation Invitation.

2. Where NTS Entry Capacity is returned by a User to National Grid NTS, the User will be relieved of any transportation charges that would otherwise pertain to it. The returned capacity will therefore be available to National Grid NTS to offer it for sale in subsequent capacity auctions at the applicable new Bacton ASEPs.
3. Bacton Users that are also Transferor Users will be invited to indicate where they wish their existing NTS Capacity Transfers at the existing Bacton ASEP, from 01 November 2015 onwards, to be split between the two new Bacton ASEPs.
4. Residual Capacity at the Bacton ASEP will be reallocated (by National Grid NTS on behalf of the User) at the new Bacton ASEPs.
5. NTS Capacity Transfers at the existing Bacton ASEP will be reallocated (by National Grid NTS on behalf of the Transferor User and Transferee User) at the new ASEPs at Bacton as requested by the relevant Transferor User.
6. At the new Bacton IP ASEP, Users will be registered as holding NTS Interconnection Point Entry Capacity. Some existing UNC rules and processes as appropriate will apply to this type of NTS Entry Capacity but note that certain processes and arrangements concerning NTS Interconnection Point Entry Capacity held at the Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation.
7. At the Bacton UKCS ASEP, Users will be registered as holding NTS Entry Capacity and all existing UNC rules and processes will continue to apply to this NTS Entry Capacity.
8. National Grid NTS will only reallocate the NTS Entry Capacity/NTS Interconnection Point Entry Capacity in full where it is less than or equal to the Obligated level for that ASEP for the relevant Month/Quarter.
9. NTS Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton UKCS ASEP at a weighted average price; that is, the volume weighted average price of that User's NTS Entry Capacity, over all the auctions during which they previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP. The weighted average price will feed directly into the System Entry Overrun Charge calculation for the new Bacton UKCS ASEP.
10. Similarly, NTS Interconnection Point Entry Capacity will be registered to the User for the relevant Month or Quarter at the new Bacton IP ASEP at a weighted average price; that is, the volume weighted average price of that User's NTS Entry Capacity, over all the auctions during which they previously purchased NTS Entry Capacity (QSEC and AMSEC) for the relevant Month or Quarter at the Bacton ASEP. The weighted average price will directly feed into the System Entry Overrun Charge calculation for the new Bacton IP ASEP.
11. In respect of any relevant month or quarter, Bacton Users (and, in respect of relevant NTS Entry Capacity Transfers, Transferor Users) should ensure that the quantities they specify under the above processes are entirely consistent with their existing Registered NTS Entry Capacity (subject to any return of capacity), and are consistent with allocating existing Bacton ASEP NTS Entry Capacity Transfers to the new Bacton ASEPs. In particular, a Bacton User must ensure that the quantities it specifies under paragraph 1 above are sufficient to meet in full its intention for the quantities it specifies under paragraph 3 above.

If, in respect of an invitation, a User specifies a quantity of NTS Entry Capacity to be returned which exceeds the Maximum Return Percentage, as a default rule, the quantity to be returned to

National Grid NTS shall be automatically scaled-down to match the Maximum Return Percentage.

The quantity of NTS Entry Capacity specified to be returned by the User shall be added to the quantity of NTS Entry Capacity specified to be re-allocated by the User. If that aggregate quantity:

- (a) exceeds 100% of that User's existing NTS Entry Capacity, then the quantity of Residual Capacity nominated by the User shall be scaled-down; or
- (b) is less than 100% of that User's existing NTS Entry Capacity, then the quantity of Residual Capacity nominated by the User shall be scaled-up,

such that the aggregate quantity of returned NTS Entry Capacity and nominated Residual Capacity equals 100% of that User's existing NTS Entry Capacity.

In each case, the quantity of Residual Capacity subjected to such scale-down or scale-up shall, by default, be automatically allocated to the new Bacton ASEPs in proportion to the indicated split specified by the User in response to the relevant invitation.

With the exception of the above scale-down and scale-up scenarios, in the event that a User specifies quantities that are not consistent with these conditions, National Grid NTS will, for the relevant month or quarter, reject the User's request and invoke a default reallocation on the User's behalf.

12. The default reallocation will, for the relevant month or quarter, reallocate existing Registered NTS Entry Capacity between the new Bacton ASEPs in proportion to the obligated levels (or baselines) of the new Bacton ASEPs. Relevant NTS Entry Capacity Transfers will be apportioned between the two new Bacton ASEPs in the same way.

2 High level view – Residual Capacity following the reallocation process

1. TPD B2.12.1 provides that where a User delivers gas onto the Total System over a Day at an ASEP that is in excess of its aggregate Available NTS Entry Capacity (determined as Fully Adjusted), that User will incur a System Entry Overrun Charge in respect of NTS Entry Capacity at that ASEP on that Day.
2. For the purposes of calculating the System Entry Overrun Charge, the "overrun quantity" is the amount by which the sum of the User's UDQIs on that Day in respect of each System Entry Point comprised in the ASEP exceeds the sum of the User's Fully Adjusted Available NTS Entry Capacity.
3. A User's System Entry Overrun Charge is calculated as the amount of the "overrun quantity" multiplied by whichever is the greatest of:
 - (a) $(8 * A)$, where 'A' is the highest bid price in relation to a capacity bid in respect of which NTS Entry Capacity was allocated following an invitation for Annual NTS Entry Capacity auction. Rolling Monthly NTS Entry Capacity auction or Daily NTS Entry Capacity auction; and
 - (b) $(1.1 * B)$, where 'B' is the relevant average accepted offer price; and
 - (c) $(1.1 * C)$, where 'C' is the relevant average accepted forward price; and
 - (d) $(1.1 * D)$, where 'D' is the relevant average accepted exercise price; and
 - (e) $(1.1 * E)$, where 'E' is the highest unit price accepted by National Grid NTS,

calculated by reference to information available to National Grid NTS at 02:00 hours on a relevant Day.

4. System Entry Overrun Charges are invoiced by and payable to National Grid NTS in accordance with TPD Section S.
5. To preserve flexibility for holders of Residual Capacity, the “overrun quantity” calculation should take account of Fully Adjusted Available NTS Entry Capacity held by a User at each new Bacton ASEP in turn and in combination with the Unutilised Residual Capacity at the other new Bacton ASEP, effectively to mirror the pre-Bacton split scenario whereby a User would be entitled to flexibly flow UKCS or European-sourced gas through the Bacton ASEP without incurring System Entry Overrun Charges to the extent of its aggregate Fully Adjusted Available NTS Entry Capacity.

Therefore, in calculating a User’s System Entry Overrun Charges in respect of the new Bacton UKCS ASEP or the new Bacton IP ASEP on a Day (as the case may be), the “overrun quantity” would be reduced to the extent of the Unutilised Residual Capacity held by that User at the other new Bacton ASEP, if any.

For example, if a User allocates all of its Residual Capacity to the new Bacton IP ASEP and wishes to flow through the new Bacton UKCS ASEP on a Day, for the purposes of calculating its System Entry Overrun Charges in respect of the Bacton UKCS ASEP on that Day, that User’s “overrun quantity” would be reduced to the extent of the Unutilised Residual Capacity it holds at the new Bacton IP ASEP, if any.

Where, on a given Day, a User holds both Residual Capacity and non-Residual Capacity at a new Bacton ASEP, that User’s UDQI in respect of that new Bacton ASEP will be satisfied in the following order:

- (a) firstly, to the extent of the non-Residual Capacity the User holds at that new Bacton ASEP;
and
- (b) thereafter, to the extent of the Residual Capacity the User holds at that new Bacton ASEP.

As described above, as a key tenet of CAM, it is envisaged that Interconnector capacity will be sold predominantly on a bundled basis in order to comply with CAM regulation, that is to maximise the offer of bundled capacity. Where a User purchases¹⁷ a bundled Bacton IP ASEP product to use Unutilised Residual Capacity allocated to the new Bacton ASEPs (excluding any Residual Capacity deemed to be used to receive relief from System Entry Overrun Charges), that User will receive a rebate for the NTS Entry Capacity Charge embedded within the price paid for the bundled Bacton IP ASEP product – the purpose of which is to ensure that the User is not required to pay the NTS Entry Capacity Charge twice in order to use that Unutilised Residual Capacity. The amount to be rebated will be the actual NTS Entry Capacity Charge embedded within the price paid for the bundled Bacton IP ASEP product (i.e. the reserve price plus premium, if any). At the new Bacton IP ASEP, as between the aggregate overrun regime and the bundled Bacton IP product rebate regime, a User’s Unutilised Residual Capacity at the new UKCS ASEP will be deemed to be used:

- (a) firstly, to receive relief from System Entry Overrun Charges pursuant to the aggregate overrun regime; and
- (b) thereafter, to receive rebate relief pursuant to the rebate regime.

¹⁷ Whilst it is anticipated that User would be inclined to purchase an unbundled Bacton IP ASEP product if available, there may be instances of price divergence and accordingly, the User’s commercial decision to purchase a bundled Bacton IP ASEP product should not be fettered.

In determining the quantum of a User's Residual Capacity on a Day in respect of the aggregate overrun and bundled rebate regime, that User's Residual Capacity entitlement shall be deemed to be the lesser of that User's:

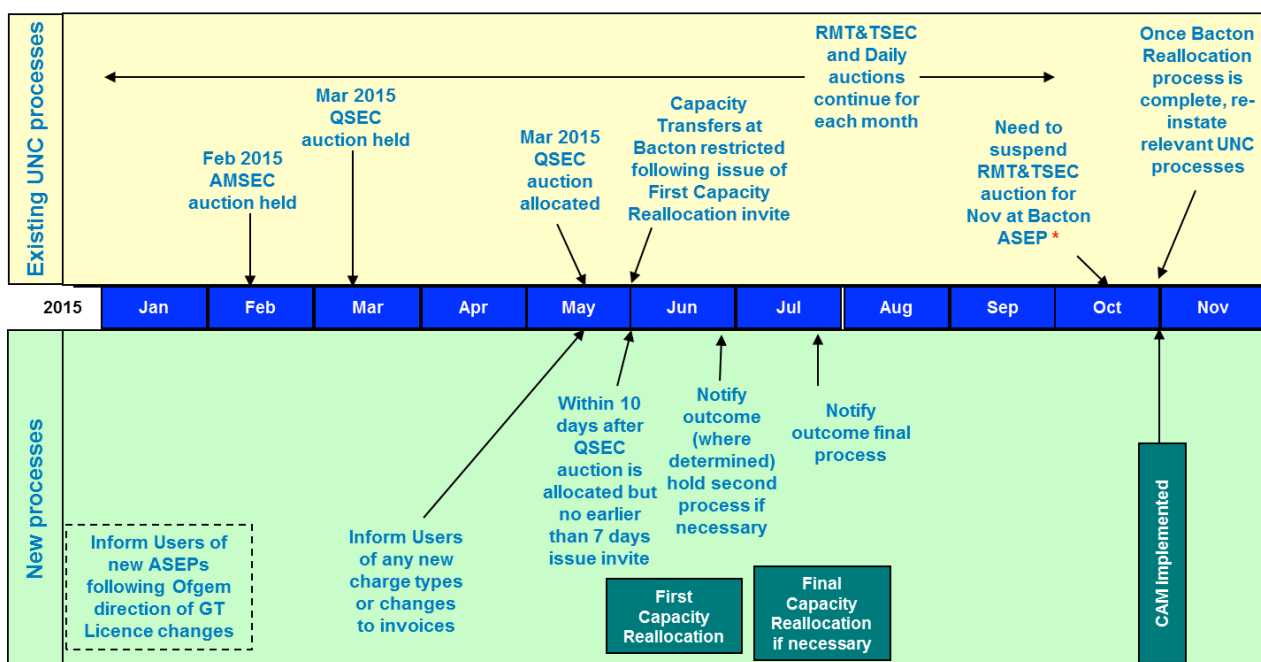
- (a) Residual Capacity; and
- (b) Available NTS Entry Capacity, on the relevant Day.

7. Invoicing and payment to cover the two new Bacton ASEPs will continue to apply as per TPD Section S. Where a User is entitled to receive a rebate in respect of the purchase of a bundled Bacton IP ASEP product, National Grid NTS shall process and issue that rebate to the User as soon as is reasonably practicable.

3 The Bacton Capacity Return and Reallocation process

1. This process will begin after the March 2015 auction in respect of Quarterly NTS Entry Capacity is allocated and is anticipated to be completed by 30th September 2015 to be effective for NTS Entry Capacity held on and from 01 November 2015. An indicative timeline for the reallocation process is shown below (the return process will run concurrently with the reallocation process):

Timeline for Bacton Reallocation process



The day-ahead auctions for Bacton UKCS and Bacton IP will commence on 31st October 2015.

2. National Grid NTS will invite all Bacton Users who currently hold Registered NTS Entry Capacity at the Bacton ASEP from 01 November 2015 onwards to (a) return to National Grid NTS some (which might be zero) of their Registered NTS Entry Capacity at the Bacton ASEP up to a maximum of the Maximum Return Percentage; and (b) reallocate their Residual Capacity (which must not be less than the Minimum Retention Percentage) for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards¹⁸ to the new Bacton UKCS ASEP or Bacton IP ASEP. For the avoidance of doubt, the definition of Registered NTS Entry Capacity within UNC TPD B5 will be applied throughout this Modification.

¹⁸ The invitation will specify months for the initial year of the period as the NTS Entry Capacity could have been bought through either AMSEC or QSEC auctions so different amounts of NTS Entry Capacity could be held for different months. Whereas for the period 1 October 2016 onwards, the capacity could only have been bought in QSEC auctions and so the amounts of NTS Entry Capacity will only vary per quarter.

3. National Grid NTS will invite all relevant Transferor Users who have existing NTS Entry Capacity Transfers at the Bacton ASEP from 01 November 2015 onwards to reallocate their NTS Entry Capacity Transfers at the Bacton ASEP for all Months from 01 November 2015 until 30 September 2016 and for all Quarters from 01 October 2016 onwards to the new Bacton UKCS ASEP and/or Bacton IP ASEP.
4. Within 10 business days but no earlier than 7 business days following the allocation of the March 2015 auction in respect of Quarterly NTS Entry Capacity, National Grid NTS will invite (the Bacton Capacity Return and Initial Reallocation Invitation) all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP and all Bacton Users that are Transferor Users who hold NTS Entry Capacity Transfers from 01 November 2015 onwards to indicate what quantity of their Registered NTS Entry Capacity they want to be returned to National Grid NTS (up to a maximum of the Maximum Return Percentage) and what quantity of the Residual Capacity and NTS Entry Capacity Transfers they want be held in future at the Bacton UKCS ASEP and/or the Bacton IP ASEP (which must not be less than the Minimum Retention Percentage). Note that in order to retain Residual Capacity Rights, all System Capacity Transfers comprising Residual Capacity and a System Transfer Period from 01 November 2015 onwards must be effected prior to the date on which National Grid NTS issues the Bacton Capacity Return and Initial Reallocation Invitation. Note that Users will be allocated NTS Entry Capacity at the Bacton UKCS ASEP and NTS Interconnection Point Entry Capacity at the Bacton IP ASEP. As NTS Interconnection Point Entry Capacity is a type of NTS Entry Capacity, we use the term NTS Entry Capacity in the following paragraphs to mean both.
5. The Bacton Capacity Return and Initial Reallocation Invitation will, specific to each Registered Capacity holder, state:
 - a. The Initial Period (Months from 01 November 2015 to 30 September 2016 and Quarters from 01 October 2016 to 30 September 2031) for which (a) returns and reallocations of NTS Entry Capacity and (b) reallocations of NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being sought
 - b. The existing Registered NTS Entry Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP
 - d. The existing weighted average price of that User's existing Registered NTS Entry Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days of invite and means (which shall be by facsimile) by which Users can signal their required return and reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent. For each Business Day Users can submit their requests between 08:00am and 17:00pm
 - g. That a User cannot return a quantity of NTS Entry Capacity greater than the Maximum Return Percentage for the Month/Quarter in question
 - h. That a User cannot request reallocation of a quantity less than or greater than their Residual Capacity for the Month/Quarter in question

- i. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Residual Capacity at the Bacton ASEP
 - j. The User to provide a quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - l. The date by which National Grid NTS will provide back to Users the result of the Initial Capacity Reallocation.
6. If in respect of the Bacton Capacity Return and Initial Reallocation Invitation, a User specifies a quantity of NTS Entry Capacity to be returned which exceeds the Maximum Return Percentage, as a default rule, the quantity to be returned to National Grid NTS shall be automatically scaled-down to match the Maximum Return Percentage.
- The quantity of NTS Entry Capacity specified to be returned by the User shall be added to the quantity of NTS Entry Capacity specified to be re-allocated by the User. If that aggregate quantity:
- (a) exceeds 100% of that User's existing NTS Entry Capacity, then the quantity of Residual Capacity nominated by the User shall be scaled-down; or
 - (b) is less than 100% of that User's existing NTS Entry Capacity, then the quantity of Residual Capacity nominated by the User shall be scaled-up,
- such that the aggregate quantity of returned NTS Entry Capacity and nominated Residual Capacity equals 100% of that User's existing NTS Entry Capacity.
- In each case, the quantity of Residual Capacity subjected to such scale-down or scale-up shall, by default, be automatically allocated to the new Bacton ASEPs in proportion to the indicated split specified by the User in response to the Bacton Capacity Return and Initial Reallocation Invitation.
7. If a Bacton User does not respond to the Bacton Capacity Return and Initial Reallocation Invitation by the date indicated, National Grid NTS will assume that the Bacton User wants to reallocate its Registered NTS Entry Capacity for each of the relevant Months or Quarters of the Initial Period for which that User holds Registered NTS Entry Capacity between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new ASEPs.
8. If a Transferor User does not respond to the Bacton Capacity Return and Initial Reallocation invitation by the date indicated, National Grid NTS, on behalf of the Users involved (the Transferor and Transferee Users of the relevant Transfer), will recreate the NTS Entry Capacity Transfer using the same proportions as the Transferor's split of their Residual Capacity between the Bacton UKCS ASEP and the Bacton IP ASEP.
9. Within five Business Days after the date by which Bacton Users need to respond to the Bacton Capacity Return and Initial Reallocation Invitation, National Grid NTS will undertake the Initial Capacity Reallocation and notify each relevant User by facsimile of the outcome. This will include a statement of the quantities of NTS Entry Capacity returned to National Grid NTS and

confirmation that the allocation and/or registration of the returned capacity quantities will be cancelled.

10. The process that National Grid NTS will utilise for the Initial Capacity Reallocation is as follows:
 - a. National Grid NTS will calculate the aggregate level of NTS Entry Capacity rights requested by Users for each Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP
 - b. Provided that the aggregate level of NTS Entry Capacity rights requested is below the relevant Obligated level of NTS Entry Capacity at each of the Bacton UKCS ASEP and the Bacton IP ASEP for a given Month/Quarter, National Grid NTS will
 - i. allocate that NTS Entry Capacity in accordance with the User's individual requests; and
 - ii. dependent upon 5 above, recreate the NTS Entry Capacity Transfer in accordance with the Transferor User's requests
 - c. If in any Month/Quarter and at either ASEP, the aggregate level of NTS Entry Capacity rights is above the relevant Obligated level of NTS Entry Capacity, National Grid NTS will not allocate any NTS Entry Capacity rights, or recreate NTS Entry Capacity Transfers, to Users for that Month or Quarter (but will allocate for the other Months or Quarters)
 - d. National Grid will write to relevant Users to inform the results of the Initial Capacity Reallocation which will show the aggregate and the User's individual reallocations of NTS Entry Capacity for each of the two new ASEPs detailing the:
 - i. Relevant Months or Quarters
 - ii. ASEP
 - iii. Quantity in kWh/day allocated
 - iv. Transferred quantity for the Transferor User/Transferee User
 - e. National Grid will also inform relevant Users of any Months or Quarters which are not reallocated as the aggregate level of NTS Entry Capacity rights requested was above the relevant Obligated level of NTS Entry Capacity at either new Bacton ASEP and therefore that a second invitation (the Bacton Capacity Final Reallocation Invitation) will be issued.
11. If the Initial Capacity Reallocation does not fully reallocate all Residual Capacity for all Months/Quarters to the two new ASEPs, National Grid NTS will within five Business Days issue a Bacton Capacity Final Reallocation Invitation to all Users who at that time hold Registered NTS Entry Capacity at the Bacton ASEP for the particular Months/Quarters affected to re-indicate where they would wish their Residual Capacity and, where applicable, NTS Entry Capacity Transfer(s) to be held in future; either at the Bacton UKCS ASEP or the Bacton IP ASEP.
12. The Bacton Capacity Final Reallocation Invitation will state:
 - a. The relevant Months/Quarters within the Initial Period for which reallocations of Residual Capacity and NTS Entry Capacity Transfers at the Bacton ASEP to the Bacton UKCS and Bacton IP ASEPs are being re-sought, together with the aggregate quantity of Residual Capacity which was requested for the relevant Months/Quarters during the Initial Capacity Reallocation. Note that this will only be for periods where no reallocation took place following the Initial Capacity Reallocation as the aggregate level of NTS Entry Capacity

rights requested was above the relevant Obligated level of NTS Entry Capacity at either new Bacton ASEP.

- b. The Residual Capacity held by the User at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - c. The existing NTS Entry Capacity Transfers held by the Transferor User at the Bacton ASEP for each of the relevant Months/Quarters in the Initial Period
 - d. The existing weighted average price of that User's Residual Capacity at the Bacton ASEP for each of the relevant Months/Quarters of the Initial Period
 - e. The date within 10 business days and means (which shall be by facsimile) by which Users can signal their required reallocation for each of the relevant Months/Quarters
 - f. The period during which User requests can be sent. For each Business Day Users can submit their requests between 08:00am and 17:00pm
 - g. That a User cannot request reallocation of a quantity less than or greater than their Residual Capacity for the Month/Quarter in question at the existing Bacton ASEP
 - h. That a Transferor User cannot request reallocation of a quantity of NTS Entry Capacity Transfers greater than the lesser of, either their existing quantity of NTS Entry Capacity Transfers for the Month/Quarter in question or their Residual Capacity at the Bacton ASEP
 - i. The User to provide a quantity by ASEP by period (Month or Quarter) to National Grid NTS
 - j. The Transferor User is to provide the Transferee and quantity by relevant ASEP by period (Month or Quarter) to National Grid NTS
 - k. That, in the event of a User being allocated capacity in excess of the quantity it requests at either the Bacton UKCS or Bacton IP ASEP, the User can specify beforehand that the allocation be capped at the requested level and the excess capacity be returned to National Grid NTS.
 - l. The date by which National Grid NTS will provide back to Users the result of the Final Capacity Reallocation.
13. If in respect of the Bacton Capacity Final Reallocation Invitation, a User specifies a quantity of NTS Entry Capacity to be returned which exceeds the Maximum Return Percentage (including taking account of any NTS Entry Capacity specified to be returned pursuant to the Bacton Capacity Return and Initial Reallocation Invitation), as a default rule, the quantity to be returned to National Grid NTS shall be automatically scaled-down to match the Maximum Return Percentage.

The quantity of NTS Entry Capacity specified to be returned by the User shall be added to the quantity of NTS Entry Capacity specified to be re-allocated by the User. If that aggregate quantity:

- (a) exceeds 100% of that User's existing NTS Entry Capacity, then the quantity of Residual Capacity nominated by the User shall be scaled-down; and
- (b) is less than 100% of that User's existing NTS Entry Capacity, then quantity of Residual Capacity nominated by the User shall be scaled-up,

such that the quantity of returned NTS Entry Capacity and nominated Residual Capacity equals 100% of that User's existing NTS Entry Capacity.

In each case, the quantity of Residual Capacity subjected to such scale-down or scale-up shall, by default, be automatically allocated to the new Bacton ASEPs in proportion to the indicated split specified by the User in response to the Bacton Capacity Final Reallocation Invitation.

14. If a User does not respond to the Bacton Capacity Final Reallocation Invitation by the date indicated, National Grid NTS will
 - a. reallocate the User's Residual Capacity for each of the relevant Months or Quarters for which that User holds Residual Capacity within the Initial Period between the Bacton UKCS ASEP and Bacton IP ASEP in the same proportion as given by the Obligated levels at the two new Bacton ASEPs.
 - b. recreate the NTS Capacity Transfer using the same proportions as the Transferor User's split of their Residual Capacity at the current Bacton ASEP between the Bacton UKCS ASEP and the Bacton IP ASEP.
15. Within five business days after the date by which Users needed to respond to the Bacton Capacity Final Reallocation Invitation, National Grid NTS will undertake the Final Capacity Reallocation and notify Users of the outcome. This will include a statement of the quantities of capacity returned to National Grid NTS as a consequence of the capping option and confirmation that the allocation and/or registration of the returned capacity quantities will be cancelled.
16. The process National Grid NTS will utilise for the Final Capacity Reallocation is as follows:
 - a. National Grid will calculate the aggregate level of Residual Capacity requested by Users for each relevant Month/Quarter at the Bacton UKCS ASEP and the Bacton IP ASEP
 - b. Provided that the aggregate level of Residual Capacity requested is below the relevant Obligated level at each of the Bacton UKCS ASEP and the Bacton IP ASEP for the particular Month/Quarter, National Grid NTS will allocate that Residual Capacity in accordance with the User's individual requests
 - c. National Grid NTS will recreate NTS Entry Capacity Transfers at the new Bacton ASEPs for the relevant Transferor Users in accordance with Transferor Users' requests
 - d. If in any Month/Quarter and at either ASEP, the aggregate level of Residual Capacity requested is above the relevant Obligated level of NTS Entry Capacity, National Grid NTS will allocate the relevant Residual Capacity for that Month/ASEP or Quarter/ASEP combination pro rata to the aggregate amount applied for by all Users. Subject to subparagraph e below, the Users' remaining Residual Capacity after the proration has taken place will be allocated to the other new Bacton ASEP (Bacton UKCS or Bacton IP as relevant).

Where a User has made a request under paragraph c above, NTS Entry Capacity Transfers will be recreated to the fullest extent possible at the specified new Bacton ASEPs following any proration of the Residual Capacity at one of the new Bacton ASEPs.

Therefore, in the event that, as a consequence of proration at one of the new Bacton ASEPs, there is insufficient Residual Capacity reallocated to the prorated new Bacton ASEP to fully meet a quantity requested under paragraph c above, then

- (i) the quantity requested by the Transferor for each Transfer will be deemed to be reduced proportionately so that the sum of the reduced quantities is equal to the

prorated Residual Capacity and

- (ii) for the avoidance of doubt, the reduction quantity (or quantities) in (i) will not be allocated to an NTS Entry Capacity Transfer(s) at the non-prorated new Bacton ASEP.
 - e. In the event that a User has specified that the allocation of its Residual Capacity at a new Bacton ASEP should be capped at the requested level and the allocation under subparagraph d above would have been in excess of the requested level, the allocation will be the requested level and the quantity of (excess) capacity not allocated as a consequence will be returned to National Grid NTS
 - f. National Grid will write to each relevant User(s) to inform them of the results of the Final Capacity Reallocation which will include both the aggregate and the User's individual returns and reallocations of Residual Capacity for each of the two new ASEPs detailing the:
 - i. Relevant Months or Quarters
 - ii. ASEP
 - iii. Quantity returned and reallocated in kWh/day
 - iv. Transferred quantity for the Transferor User/Transferee User
17. Following the completion of the Initial Capacity Reallocation and where relevant the Final Capacity Reallocation, National Grid will undertake the return and reallocation of the NTS Entry Capacity and where appropriate NTS Entry Capacity Transfers on the Users' behalf. This will not require the Users to undertake any actions on National Grid NTS' systems.
18. National Grid NTS will:
- a. set the relevant User's Registered NTS Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton UKCS ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter and
 - b. set the relevant User's Registered NTS Interconnection Point Entry Capacity, Transferor User's and Transferee User's NTS Entry Capacity Transfer(s) at the new Bacton IP ASEP to reflect the results of the Initial Capacity Reallocation (and where relevant the Final Capacity Reallocation) and set the price for each Month/Quarter to be the relevant weighted average price at the Bacton ASEP for that User for its Registered NTS Entry Capacity for the relevant Month or Quarter¹⁹.
19. National Grid NTS will update its computer system(s) with the above details within ten Business Days of writing to Users to inform them of their NTS Entry Capacity returns and reallocations.
20. National Grid NTS will then publish the aggregate results of the Bacton Capacity Return and Reallocation Process to all Users.
21. Following the completion of the Bacton Capacity Return and Reallocation Process, Users will be liable to pay NTS Entry Capacity Charges for the period from 1 November 2015 for the reallocated NTS Entry Capacity rights at the Bacton UKCS ASEP and/or Bacton IP ASEP as

¹⁹ The NTS Interconnection Point Entry Capacity will be flagged as Unbundled NTS Interconnection Point Entry Capacity in Gemini and will be deemed to be in monthly strips for the period 1 November 2015 to 30 September 2016 and in quarterly strips for the periods beyond 1 October 2016.

appropriate²⁰. For the avoidance of doubt, Users will not be liable to pay for any capacity returned to National Grid NTS. These NTS Entry Capacity Charges will be invoiced in accordance with the existing provisions of the UNC.

4 Implications of running the Bacton Capacity Reallocation process

1. Completion of the Bacton capacity Reallocation Process will have implications for a number of UNC processes at the Bacton ASEP, Bacton UKCS ASEP and the Bacton IP ASEP.
2. **At the Bacton ASEP:**
 - In order to retain Residual Capacity Rights, any new Transfers of NTS Entry Capacity in accordance with TPD B5 which have either a start date or an end date for the period 01 November 2015 onwards must be effected prior to the date on which National Grid NTS issues the Bacton Capacity Return and Initial Reallocation Invitation. From such date, New Transfers of NTS Entry Capacity (in accordance with TPD B5) which have either a start or end date of the 01 November 2015 or later will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date prior to the 31 October and an end date no later than 31 October 2015 may be permitted
 - From the implementation date of the Modification Proposal, National Grid will not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period 01 November 2015 onwards
 - For clarification NTS Entry Capacity Constraint Management Agreements are permitted for the period up to and including 31 October 2015
 - The September 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for October 2015) will be the final RMTTSEC at the Bacton ASEP
 - Daily NTS Entry Capacity (Firm and Interruptible) auctions will be applicable up to and including Gas Day 31 October 2015 and cease thereafter
3. **At the Bacton UKCS ASEP** from completion of the Final Reallocation Process;
 - In order to retain Residual Capacity Rights, any new Transfers of NTS Entry Capacity in accordance with TPD B5 which have either a start date or an end date for the period 01 November 2015 onwards must be effected prior to the date on which National Grid NTS issues the Bacton Capacity Return and Initial Reallocation Invitation. New Transfers of NTS Entry Capacity (in accordance with TPD B5) which have a start date prior to the 01 November 2015 will be rejected
 - New Transfers of NTS Entry Capacity (in accordance with UNC TPD B5) which have a start date on or after 1 November 2015 may be permitted
 - National Grid may not tender for new Capacity Constraint Management agreements (in accordance with TPD B2.8) for the period prior to 1 November 2015 but may tender for a period commencing on or after 1 November 2015
 - The November 2015 RMTTSEC auction (covering NTS Entry Capacity Trade and Transfer for December 2015) will be the first RMTTSEC in which the Bacton UKCS ASEP will be included

²⁰ Note that the current assumption is that the existing bids for NTS Entry Capacity at the Bacton ASEP will remain in Gemini and so Users will still receive an invoice for these, but Users will also receive a credit for this NTS Entry Capacity, such that the two transactions will net off to zero.

- Gas Day 1 November 2015 will be the first Day for which Daily NTS Entry Capacity (Firm and Interruptible) auctions are effective. Users will be able to submit Bids seven days prior to the 1 November (D-7)
4. The availability and booking of NTS Interconnection Point Entry Capacity at Bacton IP ASEP will be subject to the wider implementation of the CAM Regulation, and until such time as the relevant NTS Interconnection Point Entry Capacity processes have been implemented there will be no facilities for:
 - NTS Interconnection Point Entry Capacity Auctions
 - NTS Interconnection Point Entry Capacity Transfers
 5. NTS Entry Capacity Charges (covering NTS Entry Capacity or NTS Interconnection Point Entry Capacity as appropriate), NTS Entry Commodity Charges and Capacity Surrender Charges will apply as per TPD B2.11 (and TPD Section Y).
 6. Relevant NTS Entry Commodity Charges as per TPD Section Y will continue to apply. For clarification, in the event that NTS Entry Capacity is returned to National Grid NTS, the level of the NTS TO Entry Commodity Charge may be affected.
 7. System Entry Overrun charges will be calculated at an aggregate entry capacity booking level. On a given Day, National Grid NTS shall determine, for the purposes of TPD B2.12.1 (to be amended), the quantity of gas delivered by a User to the Total System at each new Bacton ASEP.

In calculating whether the sum of a User's UDQIs on a Day in respect of each System Entry Point comprised in the new Bacton ASEP exceeds the sum of the User's Fully Adjusted Available Entry Capacity, that User's Fully Adjusted Available Entry Capacity at the relevant new Bacton ASEP shall be the sum of: (a) that User's aggregate Fully Adjusted Available NTS Entry Capacity allocated to that new Bacton ASEP pursuant to the Bacton Capacity Reallocation Process; and (b) that User's Unutilised Residual Capacity at the other new Bacton ASEP.

Provided that the User does not deliver gas to the Total System at the relevant new Bacton ASEP which exceeds the above-described quantity, the System Entry Overrun Charge shall be suppressed by National Grid NTS such that the User is not invoiced for the relevant System Entry Overrun Charge.

8. Where, on a given Day, a User holds both Residual Capacity and non-Residual Capacity at a new Bacton ASEP, that User's UDQI in respect of that new Bacton ASEP will be satisfied in the following order:
 - (a) firstly, to the extent of the non-Residual Capacity the User holds at that new Bacton ASEP;
and
 - (b) thereafter, to the extent of the Residual Capacity the User holds at that new Bacton ASEP.
9. Capacity Neutrality arrangements will continue to apply as per TPD B2.13. For clarification National Grid NTS has provided the following update with regards to the rebate of bundled capacity.' It is the view of National Grid NTS that the rebate is based on charges already calculated in accordance with the charging methodology (i.e. capacity charges), the rebate will be defined by the UNC and the Charging Methodology effectively already maps the rebate onto the relevant price control terms e.g. obligated/baseline capacity is TO whereas incremental and non obligated capacity is SO. The mapping of the rebates onto TO and SO actual revenue allows the consequential recalculation of other existing TO and SO charges.

The rebate of bundled capacity would be mapped to the following licence terms;

- Special Condition 2A. Restriction of NTS TO Revenue; Definition of TORCOMt ~ TO revenue other than that collected through capacity charges
- Special Condition 3A. Restriction of NTS SO Revenue; Definition of RCOMt ~ SO revenue other than that collected through capacity and other Licence defined charges'

10. The arrangements regarding the operation of the NTS Optional Commodity Rate will continue to apply as per TPD B3.12, but Users will need to make a Supply Point Commodity Rate Renomination for the new ASEPs in accordance with TPD G2.3.
11. Entry arrangements at the two new ASEPs will apply as per TPD Section I.
12. TBE publication data in accordance with TPD Section O will now cover the two new ASEPs at Bacton.
13. Invoicing and payment to cover the two new Bacton ASEPs will continue to apply as per TPD Section S. Where a User is entitled to receive a rebate in respect of the purchase of a bundled Bacton IP ASEP product, National Grid NTS shall process and issue that rebate to the User as soon as is reasonably practicable. At the new Bacton IP ASEP, as between the aggregate overrun regime and the bundled Bacton IP product rebate regime, a User's Unutilised Residual Capacity at the new UKCS ASEP will be deemed to be used:
 - (a) firstly, to receive relief from System Entry Overrun Charges pursuant to the aggregate overrun regime; and
 - (b) thereafter, to receive rebate relief pursuant to the rebate regime.
14. Credit arrangements/termination will continue to apply as per TPD Section V.
15. There will be no change to the process to be applied by a User in undertaking System Capacity Transfers. Residual Capacity Rights will not transfer to a Transferee User during the relevant Transfer Period.
16. As a default rule, where a User undertakes a System Capacity Transfer, that User shall be deemed to transfer NTS Entry Capacity to the Transferee User in the following order:
 - (a) firstly, to the extent of that User's non-Residual Capacity; and
 - (b) thereafter, to the extent of that User's Residual Capacity.
17. As a default rule, where a User makes an offer to surrender Firm NTS Entry Capacity for a Day in respect of a new Bacton ASEP (pursuant to TPD B2.3 and/or TPD B2.10), that User will be deemed to offer to surrender its Firm NTS Entry Capacity to National Grid NTS in the priority order set out below:

(at the new Bacton IP ASEP):

As a default rule, where a User specifies through PRISMA that the surrender offer is in respect of unbundled NTS Entry Capacity, that User's NTS Entry Capacity shall be deemed to be surrendered in the following priority order:

 - (a) firstly, to the extent of that User's unbundled non-Residual Capacity; and
 - (b) thereafter, to the extent of that User's unbundled Residual Capacity.

To the extent that the User has insufficient unbundled NTS Entry Capacity available to fully satisfy the surrender offer, the User's unbundled NTS Entry Capacity shall be deemed to be negative

As a default rule, where a User specifies through PRISMA that the surrender offer is in respect of bundled NTS Entry Capacity, that User's NTS Capacity Capacity shall be deemed to be surrendered in the following priority order:

- (a) firstly, to the extent of that User's bundled non-Residual Capacity; and
- (b) thereafter, to the extent of that User's bundled Residual Capacity.

To the extent that the User has insufficient bundled NTS Entry Capacity available to fully satisfy the surrender offer, the User's bundled NTS Entry Capacity shall be deemed to be negative

(at the new UKCS ASEP):

- (a) firstly, to the extent of that User's non-Residual Capacity; and
- (b) thereafter, to the extent of that User's Residual Capacity.

To the extent that National Grid NTS accepts a surrender offer which includes Residual Capacity, the Residual Capacity Rights will not attach to NTS Entry Capacity which National Grid NTS makes available to other Users during the relevant surrender period by virtue of that User surrendering the Residual Capacity.