

MODIFICATION 0718

ANNEX B

SECTION Y – CHARGING METHODOLOGIES

PART A – NTS CHARGING METHODOLOGIES

A-I – NTS TRANSPORTATION CHARGING METHODOLOGY

This text is stated by reference to the legal text of Modification Proposals 0678 and 0678A; ie as modifications of UNC as it would read if either of those modifications is made.

NEW SECTION 5

5 CONDITIONAL NTS CAPACITY CHARGE DISCOUNT

5.1 General

5.1.1 A User may elect to pay Capacity Charges at a discounted rate, determined in accordance with this paragraph 5, in respect of certain Registered NTS Capacity at an Entry Point and Exit Point which meet the CNCCD Eligibility Criteria, by CNCCD Election subject to and in accordance with TPD Section B8.

5.1.2 Where a User has made a valid CNCCD Election in respect of an Entry Point and Exit Point:

- (a) a discount factor (the Conditional NTS Capacity Charge Discount, "**CNCC Discount**") shall be determined in accordance with this paragraph 5;
- (b) the "**Discounted Applicable Daily Rate**" of the NTS Capacity Charge payable in respect of such Entry Point or Exit Point is the rate determined (under paragraph 2.1.4 or 2.1.6) as the Applicable Daily Rate, or where applicable determined under paragraph 5.1.4, on the basis that the applicable Reserve Price (as referred to in paragraph 2.1.4 or 2.1.6 or in accordance with paragraph 5.1.4) is discounted by the applicable CNCC Discount as follows:

$$RP = RP' * (1 - CNCCD)$$

where

RP is the discounted Reserve Price to be used to determine the Discounted Applicable Daily Rate;

RP' is the Reserve Price determined in accordance with this Section Y;

CNCCD is the applicable CNCC Discount.

(and for the avoidance of doubt the CNCC Discount does not apply to any Premium).

5.1.3 The prices determined under paragraph 5.1.2(b), in pence per kWh/Day, shall be rounded to:

- (a) 6 decimal places (that is, to the nearest 0.000001p) for Intra-System NTS Points; and
- (b) 10 decimal places (that is, to the nearest 0.0000000001p) for Interconnection Points.

5.1.4 In relation to NTS Entry Capacity allocated in an Auction under which the Capacity Charge is determined on the basis of the User's bid price:

- (a) the Applicable Daily Rate shall be treated as divided into:
 - (i) the amount of the applicable Reserve Price, and
 - (ii) any amount of such rate in excess of the applicable Reserve Price (a deemed premium);
- (b) the Discounted Applicable Daily Rate shall be determined by discounting the applicable Reserve Price in accordance with paragraph 5.1.2(a) and adding back any deemed premium under paragraph (a)(ii).

5.1.5 The criteria ("**CNCCD Eligibility Criteria**") for an Entry Point and an Exit Point to be eligible for the CNCC Discount are that:

- (a) the Entry Point is a NTS Aggregate System Entry Point other than a Storage Connection Point (an "**Eligible Entry Point**");
- (b) the Exit Point is an NTS Exit Point other than a NTS/LDZ Offtake or a Storage Connection Point (an "**Eligible Exit Point**");
- (c) the Straight Line Distance (determined in accordance with Section B8) between the Entry Point and the Exit Point is not greater the DCSL Distance; and
- (d) the amount of the CNCC Discount (determined under this paragraph Y) is greater than zero (0).

5.2 DCSL Distance

5.2.1 The "**DCSL Distance**" (due cross-subsidy limit distance) (CSL) is 18 kilometers.

5.3 Maximum and minimum discount

5.3.1 The maximum value ("**Maximum Available Discount**") of the CNCC Discount is 0.9 (zero decimal nine).

5.3.2 The minimum value ("**Minimum Available Discount**") of the CNCC Discount is 0.1 (zero decimal one).

5.4 Calculation of CNCC Discount

5.4.1 Subject to paragraphs 5.4.2 and 5.4.3, the CNCC Discount (CNCCD) for an Entry Point and Exit Point is calculated as follows:

$$CNCCD = \left\{ \left(\frac{1}{e^{\left(\frac{1.6094}{CSL} \right)}} \right)^{SLD} \right\} - (1 - MDA)$$

where

CSL is the DCSL Distance;

SLD is the Straight Line Distance (determined in accordance with TPD Section B8) for the Entry Point and Exit Point;

MDA is the Maximum Available Discount.

5.4.2 If the value calculated under paragraph 5.4.1 is less than the Minimum Available Discount, then the CNCC Discount shall be zero (0).

5.5 Annual update

5.5.1 National Grid will, not later than 1 August in each Gas Year, give notice to each User which has made a CNCCD Election which is then in force (and is not subject of a notice of termination effective before the end of that Gas Year) of the Discounted Applicable Daily Rates of the NTS Capacity Charges in respect of the relevant Entry Point and Exit Point which will apply in the following Gas Year.

5.6 Periodic Review

5.6.1 National Grid NTS will from time to time review, in consultation with Users, the rules for calculating CNCC Discounts under this paragraph 5, including the value of the DSCL Distance; but any modification of such rules may only be made by Code Modification.