

Modification 0737 – Revised Draft 043.12.2020

Commentary: Set out below is the suggested legal text intended to be reflected in a new paragraph 2.18 to be added to Section B of the Transportation Principal Document. Under these provisions, National Grid NTS will notify all Users in early February each year of the opening and closing dates of a 5 business day window during the last week of that month during which Users can make a request to transfer all (not just part) of their system entry capacity from a capacity abandoned ASEP to a recipient ASEP. There are three conditions as to whether or not National Grid NTS will accept a User's application.

First, all Users who hold entry capacity at the capacity abandoned ASEP must apply to transfer away from the capacity abandoned ASEP. If there is more than one User at the capacity abandoned ASEP and only one User applies to transfer, that transfer will fail. This is because the basic test of abandonment of that ASEP is not met. It is still in demand by a User.

Second, National Grid NTS will need to calculate the "exchange rate" for the entry capacity that would be allocated to each applicant User at their requested recipient ASEP using the exchange rate methodology in the Entry Capacity Transfer and Trade Methodology Statement and then offer that to the applicant User so that the applicant User has the opportunity to accept that exchange rate or not. The exchange rate has an upper bound of not more than 3:1 and a floor of 1:1. In other words, if a User has 100 at the donor ASEP, the exchange rate calculation for entry capacity at their requested recipient ASEP would not be more than 100 or less than 33.

Third, when National Grid NTS applies the exchange rate for the transfer to the recipient ASEP, the total amount of capacity held by all Users at the recipient ASEP for a particular month requested does not exceed the level of obligated entry capacity at the capacity abandoned ASEP in that month.

To the extent that the capacity being transferred away from the capacity abandoned ASEP was allocated to that User before 6 April 2017 (i.e. when the European Tariff Code (TAR) pursuant to Commission Regulation (EU) 2017/460 of 16 March 2017 came into effect), the status of this existing capacity is preserved as it is transferred to the recipient ASEP in that the Applicable Daily Rate for NTS Entry Capacity and Entry Transmission Service Revenue Charges shall not be applied to that capacity. Instead, the User will remain liable to National Grid NTS on that basis of that User's Existing Available Holding at the capacity abandoned ASEP and Entry Capacity Charges will continue to apply after the transfer for the remainder of the term of that capacity.

Finally, consequential amendments to the definitions of "Existing Registered Holding" set out in the Transportation Principal Document, Section Y, Part A-I condition 2.2.2(e) and of "Existing Available Holding" set out in the Transportation Principal Document, Section Y, Part A-1 condition 2.2.2(f) are made so as to allow the inclusion capacity transferred to a donor ASEP from a capacity abandoned ASEP within these definitions. This is because the current legal text refers specifically to the ASEP at the Tariff Regulation Effective Date (i.e. 6 April 2017) and does not cater for transfers after that date of existing capacity.

LEGAL TEXT

TPD Section B

Insert new paragraph 2.18 as follows:

2.18 Transfers of NTS Entry Capacity from a “Capacity Abandoned ASEP”

2.18.1 A User may, at any time during the last five (5) Business Days of February in each Gas Year (“**Capacity Abandoned ASEP Transfer Window**”), request a transfer of all its NTS Entry Capacity in respect of a Capacity Abandoned ASEP to an alternative Aggregate System Entry Point, provided that:

- (a) the User must serve National Grid NTS with a written notice (a “**Capacity Abandoned ASEP Transfer Request**”) requesting such a transfer no later than fifteen (15) Business Days' prior to the Capacity Abandoned ASEP Transfer Window; and
- (b) each of the conditions stated in paragraphs 2.18.3, 2.18.4 and 2.18.5 must be met in respect of the Capacity Abandoned ASEP Transfer Request.

2.18.2 National Grid NTS shall issue a notification to all Users not later than ten (10) Business Days before the commencement of each Capacity Abandoned ASEP Transfer Window advising all Users of the opening and closing dates of the next Capacity Abandoned ASEP Transfer Window.

2.18.3 The first condition is that:

- (a) every User which holds NTS Entry Capacity at the Capacity Abandoned ASEP submits a Capacity Abandoned ASEP Transfer Request during the same Capacity Abandoned ASEP Transfer Window, in each case in respect of all of its NTS Entry Capacity;
- (b) each User which makes a Capacity Abandoned ASEP Transfer Request nominates a single recipient Aggregate System Entry Point to which it wishes to transfer any and all NTS Entry Capacity held by it at the Capacity Abandoned ASEP. For the avoidance of doubt, each User does not need to nominate the same recipient Aggregate System Entry Point as any other User making a Capacity Abandoned ASEP Transfer Request within the same Capacity Abandoned ASEP Transfer Window;
- (c) the Capacity Abandoned ASEP Transfer Request must state a date for implementation of the transfer which shall be no earlier than 1 April in the same Gas Year;

2.18.4 The second condition is that the rate at which NTS Entry Capacity at a recipient Aggregated System Entry Point will be allocated to a User in exchange for that User's NTS Entry Capacity at the Capacity Abandoned ASEP (the “**Capacity Abandoned Exchange Rate**”) must be equal or less than 3:1, but no less than 1:1, provided that:

- (a) where more than one User makes a Capacity Abandoned ASEP Transfer Request, and the Capacity Abandoned Exchange Rate in respect of some but not all transfers exceeds 3:1, National Grid NTS shall only reject those Capacity Abandoned ASEP

Transfer Requests in respect of which the Capacity Abandoned Exchange Rate exceeds 3:1; and

- (b) where the Capacity Abandoned Exchange Rate is less than 1:1, the transfer will be accepted by National Grid NTS on an assumed basis of 1:1

2.18.5 The third condition is that, applying the Capacity Abandoned Exchange Rate applicable for each recipient Aggregate System Entry Point, the total amount of NTS Entry Capacity held by all Users at the recipient Aggregate System Entry Point in respect of a particular month requested in the Capacity Abandoned ASEP Transfer Request does not exceed the level of Obligated Entry Capacity at the Capacity Abandoned ASEP in relation to that month.

2.18.6 Following receipt of a Capacity Abandoned ASEP Transfer Request, National Grid NTS shall, within fifteen (15) Business Days, verify whether the application meets all of the conditions in paragraphs 2.18.3, 2.18.4 and 2.18.5 (including by calculating the Capacity Abandoned Exchange Rate applicable to the proposed transfer as set forth in the Capacity Abandoned ASEP Transfer Request in accordance with the methodology for the calculation of Exchange Rates for the transfer of NTS Entry Capacity between Aggregate System Entry Points set out in the Entry Capacity Transfer and Trade Methodology Statement).

2.18.7 If National Grid NTS accepts the Capacity Abandoned ASEP Transfer Request, then within five (5) Business Days of National Grid NTS providing the transfer details to the applicant User, the applicant User must confirm whether or not it wishes the transfer to be executed. Following implementation of the transfer:

- (a) where the Capacity Abandoned Exchange Rate is not 1:1, the User liable to National Grid in relation to acquisition of the transferred NTS Entry Capacity shall remain liable for the full amount of the costs associated with the Existing Capacity Holdings at the Capacity Abandoned ASEP; and
- (b) if the third condition is not met in respect of any month which is the subject of a Capacity Abandoned ASEP Transfer Request, the transfer shall only be implemented in respect of that month to the extent of the available Obligated Entry Capacity at the recipient Aggregate System Entry Point.

2.18.8 If National Grid NTS does not accept the Capacity Abandoned ASEP Transfer Request it shall notify the applicant User accordingly.

2.18.9 To the extent that the NTS Entry Capacity being transferred pursuant to a Capacity Abandoned ASEP Transfer Request comprises Existing Contracted Capacity as at the Tariff Regulation Effective Date, with effect from the date of the transfer:

- (a) that NTS Entry Capacity shall continue to be classified as Existing Contracted Capacity save that in relation to their Existing Registered Holdings in respect of that NTS Entry Capacity, the Applicable Daily Rate for NTS Entry Capacity and Entry Transmission Service Revenue Recovery Charges shall not be applied; and
- (b) the User's Existing Available Holding at the Capacity Abandoned ASEP and Entry Capacity Charges will continue to apply to such User following completion of the

transfer from the Capacity Abandoned ASEP to the recipient Aggregate System Entry Point for the remainder of the term of such capacity.

2.18.10 For the purposes of this paragraph 2.18:

- (a) **"Capacity Abandoned ASEP"** means an Aggregate System Entry Point in respect of which all Users make an application to National Grid NTS within the same Transfer Window to transfer their respect NTS Entry Capacity to one or more alternative Aggregate System Entry Points pursuant to this paragraph 2.18 such that, if given immediate effect, would result in no Users holding NTS Entry Capacity at such Aggregate System Entry Point.

Section Y

Amendments to Existing Definitions in the Transportation Principal Document

The definition of "Existing Registered Holding" set out in the Transportation Principal Document, Section Y, Part A-1 condition 2.2.2(e) shall be deleted in its entirety and replaced with the following:

2.2.2

- (e) **"Existing Registered Holding"** means, in relation to an Entry Point, a User and a Day or other period, the amount, as at the Tariff Regulation Effective Date, of the User's Registered NTS Entry Capacity for such Entry Point and Day or other period or, where such User's Registered NTS Entry Capacity has been transferred from such Entry Point to another Entry Point after the Tariff Regulation Effective Date pursuant to paragraph 2.18, such User's Registered NTS Entry Capacity at the recipient Entry Point immediately after such transfer;"

The definition of "Existing Available Holding" set out in the Transportation Principal Document, Section Y, Part A-1 condition 2.2.2(f) shall be deleted in its entirety and replaced with the following:

2.2.2

- (f) **"Existing Available Holding"** means, in relation to an Entry Point, a User and a Day, the amount, as at the Tariff Regulation Effective Date, of the User's Available NTS Entry Capacity for such Entry Point and Day or, where such User's Available NTS Entry Capacity has been transferred from such Entry Point to another Entry Point after the Tariff Regulation Effective Date pursuant to paragraph 2.18, such User's Available NTS Entry Capacity at the recipient Entry Point immediately after such transfer;"