

CODE MODIFICATION PROPOSAL No xxxx
Enduring Exit Overruns - Deemed Applications
Version Draft

Date:

Proposed Implementation Date:

Urgency: Non Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

Where capitalised words and phrases are used within this Modification Proposal, those words and phrases shall usually have the meaning given within the Uniform Network Code (unless they are otherwise defined in this Modification Proposal). Key UNC defined terms used in this Modification Proposal are highlighted by an asterisk () when first used. This Modification Proposal*, as with all Modification Proposals, should be read in conjunction with the Uniform Network Code* (UNC).*

Background

Implementation of Modification Proposal* 0195AV established the basis for the reform of NTS Exit Capacity* booking arrangements that, in full, are scheduled to come into effect on 1 October 2012.

As part of these arrangements any User* who has a Chargeable NTS Exit (Flat) Overrun* in excess of 100,000 kWh, in any 12 month period (except as defined in the paragraph below) ending March 31st (“Relevant Period”*), is deemed to have made an application for Enduring Annual NTS Exit (Flat) Capacity* at that same NTS Exit Point* equal to the highest Chargeable NTS Exit (Flat) Overrun amount (the Deemed Application Amount*) which the User incurred in that same Relevant Period at that same NTS Exit Point. The application would be made on the first day of the next following Annual Application Window* (Gas Year* Y) and shall be for Gas Year Y+4 and subject to User Commitment in accordance with the principles in the Exit Capacity Release Methodology Statement*.

For clarity, these arrangements will be applied from the 1st October 2012 onwards; hence the first Relevant Period where any Chargeable NTS Exit (Flat) Overruns result in a deemed application is the 1st October 2012 through to 31st March 2013. The first full 12 month Relevant Period is the 1st April 2013 through to 31st March 2014.

After discussion with the industry it has been identified that the current arrangements for deemed may result in a User being allocated, as a result of multiple deemed applications, Enduring Annual NTS Exit (Flat) capacity in excess of their highest historic Deemed Application Amount at an NTS Exit Point.

For example, under the arrangements a User who incurs a Chargeable NTS

Exit (Flat) Overrun of 200,000 kWh in two consecutive Relevant Periods, at the same NTS Exit Point, is deemed to place separate and distinct applications for 200,000 kWh of Enduring Annual NTS Exit (Flat) Capacity in the Annual Application Window following each Relevant Period. This results in a cumulative effect whereby the cumulative Deemed Application Amount is 400,000 kWh and hence in excess of the highest Chargeable NTS Exit (Flat) Overrun quantity that User has incurred at the relevant NTS Exit Point in each Relevant Period.

Additionally concerns have been raised by the industry with respect to the Y+4 lead time and that any Enduring Annual NTS Exit (Flat) Capacity release resulting from a Deemed Application Amount should not necessarily be constrained by the Y+4 lead time.

Proposal

National Grid NTS is proposing a solution that takes into account the previous highest Chargeable NTS Exit (Flat) Overrun amount (from a previous Relevant Period) by the same User, at the same NTS Exit Point that resulted in a deemed application. The proposal would also allow greater flexibility regarding the lead time of Y+4 where the deemed application would result in the release of Enduring Annual NTS Exit (Flat) Capacity over and above the unsold Baseline NTS Exit (Flat) Capacity* amount.

For clarity, this proposal does not affect the Chargeable NTS (Flat) Overrun amount, but does affect how the Deemed Application Amount is calculated.

National Grid NTS proposes that, at the time of determining any Deemed Application Amount, the previous highest Chargeable NTS Exit (Flat) Overrun amount from a previous Relevant Period that resulted in a deemed application at that same NTS Exit Point and for that same User, is deducted from the highest Chargeable NTS Exit (Flat) Overrun Amount (that occurred within the most recent Relevant Period) that would ordinarily result in a deemed application at that same NTS Exit Point.

If, after deduction, the remaining quantity is greater than or equal to 100,000 kWh then that quantity is deemed to have been applied for on the first day of the next following Annual Application Window in July.

This would only apply where there has been, for the same User at the same NTS Exit Point, a previous deemed application and where the highest Chargeable NTS Exit (Flat) Overrun amount occurred prior to the lead time of the previous deemed application that resulted in an allocation of Enduring NTS Exit (Flat) Capacity.

Additionally, National Grid NTS is also proposing that, where a deemed application would result in the release of Enduring Annual NTS Exit (Flat) Capacity in excess of the unsold Baseline NTS Exit (Flat) Capacity* at that NTS Exit Point, the lead time principles for such release will be in accordance with TPD UNC B3.2.1 (for an application in the Annual Application Window for Enduring Annual NTS Exit (Flat) Capacity) and

the Exit Capacity Release Methodology Statement.

Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)

b)

Not Applicable

c) **Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.**

Draft for discussion

2 User Pays

a) **Classification of the Proposal as User Pays or not and justification for classification**

b) **Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification**

c) **Proposed charge(s) for application of Users Pays charges to Shippers**

d) **Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve**

3 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates; For the reasons given below, National Grid NTS believes that this Proposal will better facilitate relevant objectives A11.1 (a);

This proposal ensures that any Enduring Annual NTS Exit (Flat) Capacity released, as a result of deemed applications, is more reflective of the historic User Daily Exit Quantity* (where User Daily Exit Quantity includes User Daily Quantity Output* and end of day gas flow at an NTS/LDZ Offtake* by a DNO User) in the enduring period. This could reduce the risk of the inefficient release of Enduring Annual NTS Exit (Flat) Capacity that the User may have no intention of utilising whilst

aiding security of supply by facilitating clearer investment signals and the efficient and economic release of Annual Enduring NTS Exit (Flat) Capacity.

This proposal will reduce the risk of National Grid NTS receiving investment signals from deemed applications that may be inflated when compared to the historic User Daily Exit Quantities. Investment signals are likely to be more in line with historic User Daily Exit Quantities adding clarity to the incremental process and hence would result in more economic and efficient investment given that incremental signals are likely to be more reflective of the Users actual requirements.

Additionally, setting release obligations (in accordance with the Gas Transporter Licence in respect of the NTS) at NTS Exit Points that are more aligned to the actual requirements of Users will provide greater clarity to National Grid NTS when making decisions regarding the release of NTS Exit Capacity amounts (including any discretionary release).

By removing the fixed Y+4 lead time for any incremental Enduring Annual NTS Exit (Flat) Capacity released (as a result of a deemed application), this proposal better facilitates the timely release of Annual Enduring NTS Exit (Flat) Capacity.

Standard Special Condition A11.1(f): so far is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

National Grid NTS believes that in respect of Standard Special Condition A11(f), the promotion of efficiency in the implementation and administration of the network code and or the uniform network code would be improved by the implementation of this proposal.

National Grid NTS believes this proposal addresses an unintended consequence of Modification Proposal 0195AV which may result in a User, as a result of a multiple deemed applications at the same NTS Exit Point, holding cumulative enduring rights in excess of their highest historic Chargeable NTS Exit (Flat) Overrun.

4 The implications of implementing this Modification Proposal on security of supply, operation of the Total System and industry fragmentation

National Grid NTS does not feel that this proposal has any negative implications on security of supply, operation of the Total System or industry fragmentation. The proposal better facilitates security of supply by facilitating clearer investment signals and the efficient and economic release of Annual Enduring NTS Exit (Flat) Capacity.

5 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

a) The implications for operation of the System:

National Grid NTS does not believe this Proposal, if implemented, would adversely affect the physical operation of the System and would provide for

greater certainty of offtake flow.

b) The development and capital cost and operating cost implications:

National Grid NTS does not believe that this Proposal, if implemented will have cost implications with regards to system implementation and operating costs.

c) Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:

Not applicable

d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

National Grid NTS believes that the Proposal will have no material impact on the level of contractual risk of each Transporter.

6 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)

Not applicable.

7 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users

See earlier comments on User pays

8 The implications for Users of implementing the Modification Proposal, including:

a) The administrative and operational implications (including impact upon manual processes and procedures)

National Grid NTS would welcome responses from Users in this area.

b) The development and capital cost and operating cost implications

National Grid NTS would welcome responses from Users in this area.

c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

National Grid NTS would welcome responses from Users in this area.

9 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)

National Grid NTS is not aware of any such implications but would welcome responses from users in this area

10 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters

National Grid NTS is not aware of any such consequences

11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 10 above

Advantages

As identified in paragraphs 2-10

Disadvantages

No disadvantages have been identified.

12 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)

No written representations have been received

13 Detail of all other representations received and considered by the Proposer

None

14 Any other matter the Proposer considers needs to be addressed

None

15 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal

16 Comments on Suggested Text

To be advised

17 Suggested Text

To be advised

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) UNC TPD B3

Proposer's Representative Mike Wassell

Name (Organisation) National Grid NTS