

## Stage 02: Workgroup Report

What stage is this document in the process?

# 0376/0376A:

## Increased Choice when Applying for NTS Exit Capacity



**0376:** To increase the level of choice available to Users when applying for Enduring Annual NTS Exit (flat) Capacity. The proposal seeks to allow for ad hoc applications beyond Y+4 up to Y+6, which is allowed for in ARCA applications and applications in the July window. Also to allow for applications in the July window to be from a non-October start date whilst remaining consistent with the 38 month lead-time and User commitment principles.

**0376A:** To increase the level of choice available to Users when applying for Enduring annual NTS Exit (Flat) capacity by enabling an adhoc application to request a Capacity start date beyond Y+4 up to Y+6 and an application within the July Application Window to request a non October start date.



The Workgroup recommends that these self-governance modifications should now proceed to Consultation.



High Impact:

NTS Exit Users, Shipper Users, DN Users and National Grid NTS

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## About this document:

The purpose of this report is make a recommendation to the Panel, to be held on 20 October 2011, on whether Modifications 0376 and 0376A are sufficiently developed to proceed to consultation and to submit any further recommendations in respect of the assessment of these self-governance modifications.



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### **3 Any questions?**

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# 1 Summary

## Are these Self-Governance Modifications?

The Modification Panel has determined that these are self-governance modifications.

### Why Change?

To increase the level of choice available to Users when applying for enduring annual NTS exit (flat) capacity. Currently, enduring annual NTS exit (flat) capacity can be applied for during the annual application window in July for an October year+4, +5 or +6 start date. If this does not meet the User's desired application date or first capacity date requirements, an ad-hoc application process can be used. However, the ad-hoc process is restricted to Y+4, which may not provide sufficient time or certainty to the User. In addition, the minimum threshold for an application is 10GWh/day, which may prevent Users booking the capacity level they require. These represent significant risks when investing in a Power Station or Storage development and may lead to inefficient investment in the NTS to meet overstated capacity requirements.

### Solution

#### 0376

To provide more choice for Users the following changes to the UNC are proposed:

Ad hoc application Process:

- Extend the time for applications from Y+4 to Y+6;
- Reduce the minimum threshold application from 10 GWh/day to 1 GWh/day.

Annual Application Window:

- Allow applications during the July Annual Application Window for start dates of the 1<sup>st</sup> of any month between October Y+4 and September Y+6 rather than just 1st October.

#### 0376A

Users have indicated via UNC Workgroup 0376 they wish to see additional choice introduced to the Ad hoc Application Process and the Annual Application Window process with respect to Enduring annual NTS Exit (Flat) Capacity. This can be achieved through introducing the following changes into the UNC:

Ad hoc Application Process:

- Extend the time for applications from Y+4 to Y+6



## Background

Q: What is "The Annual Application Window"

A: In a Gas Year (Y) it is the period commencing at 08:00 hours and ending on 17:00 hours on each Business Day in July.

Q: What is "The Ad-Hoc Process"

A: An application for Enduring Annual Exit (flat) capacity may be made at any time between 1 October and 30 June in Gas Year (Y) where the application is new or exceeds 10 Gwh/day or is greater than 125 % of existing baseline.

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## Annual Application Window:

- Allow applications during the July Annual Application Window for start dates of the 1<sup>st</sup> of any month between October Y+4 and September Y+6 rather than the 1<sup>st</sup> October only.

## Impacts & Costs

A Rough Order Magnitude (ROM) was requested from Xoserve to assess system development costs. The ROM costs and timeframes are as follows for either modification:

### **Stage 1. Analysis and Testing only of current system for most complex scenarios**

#### **Estimated costs:**

The Analysis and Testing will cost at least **£56k**, but probably not more than **£96k**

#### **Estimated duration:**

Provision of an Evaluation Quotation Report (EQR) will take at least **2 weeks**, but probably not more than **3 weeks**, from the time that Xoserve receives a Change Order.

Provision of a Business Evaluation Report (BER), produced during an Analysis Phase, will take at least **6 weeks**, but probably not more than **8 weeks**, from the time that Xoserve receives a Business Evaluation Order (BEO).

To carry out the Testing will take at least **6 weeks**, but probably not more than **8 weeks** from the time that Xoserve receives a Change Authorisation.

### **Stage 2. System enhancement of Gemini screens (reports)**

#### **Estimated costs:**

The solution will cost at least **£72k**, but probably not more than **£94k**, to implement known report enhancements.

#### **Estimated duration:**

Provision of an Evaluation Quotation Report (EQR) will take at least **2 weeks**, but probably not more than **3 weeks**, from the time that Xoserve receives a Change Order.

Provision of a Business Evaluation Report (BER) will take at least **6 weeks**, but probably not more than **8 weeks**, from the time that Xoserve receives a Business Evaluation Order (BEO).

Delivery; including detailed analysis (including BUCs and SUCs), build,

**15 weeks**, but probably not more than **18 weeks** from the time that Xoserve receives a Change Authorisation.

**NB:** The costs/timescales will increase if the need for further system enhancements are identified during Stage 1.

## Implementation

As these are self-governance modifications, implementation can be 16 business days after a Modification Panel decision to implement.

## The Case for Change

The UNC does not provide the flexibility or certainty that some Users may require when applying for NTS Exit Capacity. Increasing flexibility would offer the potential for reducing User costs and project uncertainty. In addition, implementation would reduce the risk of overstated bookings and, potentially, inefficient investment by National Grid NTS. Implementation would enable Users to make well-founded investment decisions and offers the flexibility for Users to tailor their capacity bookings more closely to their true requirements. Implementation would therefore better facilitate the Relevant Objectives.

## Recommendations

The Workgroup considers that these self-governance modifications should be issued for consultation.

## 2 Why Change?

Currently, Enduring Annual NTS Exit (flat) Capacity can be applied for during the July Annual Application Window for capacity to be registered as held from 1 October Gas year Y+4, Y+5 and Y+6. However, this October start date might not suit the User's development time lines both for the application date or the registered start date of holding capacity. This lack of flexibility in choice for any start date other than October may result in inefficient system investment and increased cost to customers because Users are constrained to timelines that might not be suitable. For example, a User may prefer to commission a power station during the lower priced summer months when gas and power prices are less volatile than at the start of winter.

Changing the Enduring Annual NTS Exit (flat) Capacity registered holding date to the first of any calendar month may result in more efficient network investment because capacity can be delivered on the date it is required, thus capacity does not have to be paid for when it is not required and this will result in lower cost to customers.

Developers and Users can also apply for Enduring Annual NTS Exit (flat) Capacity using an ad-hoc process. However, the ad-hoc process is restricted that a User cannot signal a Capacity start date that is later than the 1 October Y+4. This limitation does not provide sufficient time where the User wishes to provide National Grid NTS with a longer signal for their Capacity requirement and give National Grid NTS sufficient time to reinforce the network, and hence may not provide sufficient time nor certainty to the User. This presents an unnecessary obstacle and risk when investing in a Power Station or Storage development.

Looking to the future, CCGTs will be replaced as they approach the end of their economic asset life. In this case the same site will be used and the plant might be replaced with plant that has increased electrical power output. This may require more gas throughput and exit capacity than the existing booking. The current limits of 10 GWh/day or 125 % of existing capacity that exist for eligibility of using the ad-hoc application approach are too high and unnecessarily restrict the choices available to support efficient development.

## 3 Solution

### Solution

#### 0376

To provide more choice for Users the following changes to the UNC are proposed.

Ad hoc application Process:

- Extend the time for applications from Y+4 to Y+6,
- Reduce the minimum threshold application from 10 GWh/day to 1 GWh/day.

The minimum threshold application has been proposed at 1 GWh/day in light of the data produced by National Grid NTS from action 0503, (<http://www.gasgovernance.co.uk/0376/020611>) which shows only 10 applications in 2010 for incremental capacity in excess of 1 GWh/day. In addition when replacing existing CCGT power stations with new plant in the coming decade the combination of increased efficiency and increased electrical output will typically result in incremental capacity volumes of just over 1GWh/day.

	MWe	Efficiency	Gas Capacity kWh/day
Existing	795	0.5	38,160,000
Repowered Site	900	0.55	39,272,727
Incremental capacity			1,112,727

Annual Application Window:

- Allow applications made during the July Annual Application Window for Enduring Annual NTS Exit (flat) Capacity to have a registered holding date of the 1<sup>st</sup> of any month between October Y+4 and September Y+6 rather than just 1st October.

#### 0376A

To provide more choice for Users when applying for Enduring annual NTS Exit (Flat) Capacity, the following changes to the UNC are proposed.

Ad hoc Application Process:

- Extend the time for applications from Y+4 to Y+6

Annual Application Window:

- Allow applications made during the July Annual Application Window for Enduring Annual NTS Exit (Flat) Capacity to be registered with effect from the 1<sup>st</sup> of any month in Gas Year Y+4, Y+5 and Y+6 rather than just the 1<sup>st</sup> October within each Gas Year.



## 4 Relevant Objectives

Implementation will better facilitate the achievement of Relevant Objectives c and d.

Benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	No
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.	No
c) Efficient discharge of the licensee's obligations.	Yes
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.	Yes
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.	No
f) Promotion of efficiency in the implementation and administration of the Code.	No

### **Standard Special Condition A11 c) Efficient discharge of the Licensee's obligations**

Enabling applications during the Annual Application Window for specified dates other than 01 October potentially results in more efficient investment by National Grid NTS and lower costs to customers. If Users can specify a non 01 October start date because this suits their development time frame, then investment by National Grid NTS could be made on a timelier basis to meet the needs of the customer. This means that National Grid NTS can invest "Just in Time" and costs can be minimised for customers because they do not have to pay for capacity during periods when they cannot make use of it.

For example, a User wants to commission a CCGT starting in April.

(Flat) Capacity to be registered with effect from 01 October six months earlier than the date that is required. The User then has to pay exit capacity charges for those months even though they cannot use the Capacity, and National Grid NTS may invest to ensure the network can meet capacity commitments six months earlier than necessary. Thus, the proposed change would enable better facilitation of Relevant Objective (c) with respect to licence obligations relating to economic and efficient system development.

By extending ad hoc applications from Y+4 to Y+6, Users may give more advance notice to National Grid NTS of their capacity requirements. This increased notice should allow National Grid NTS to plan and invest in the network in a more efficient manner, undertaking activities at the most cost effective time and in the most efficient manner. This would therefore facilitate achievement of GT Licence obligations regarding economic and efficient system development, supporting better facilitation of Relevant Objective (c).

Reducing the ad-hoc threshold from 10 to 1GWh (as proposed in 0376 only) could assist system planning and investment by ensuring a more accurate investment signal through signalling the appropriate demand rather than overstating what is needed, or waiting for the Annual Application Window. This would similarly facilitate licence obligations relating to economic and efficient system development. However, this could also discourage use of the annual application process and force National Grid NTS into a situation where it is managing applications throughout the year. This would increase costs and so be inefficient, with the most efficient outcome from a system planning process being one that takes account of the full spectrum of likely demands rather than looking at each in isolation.

### **Standard Special Condition A11 d) Securing of effective competition**

If, for example, a User wants to commission a CCGT starting in April, they would currently need to apply for Enduring Annual NTS Exit (Flat) Capacity to be registered with effect from 01 October, six months earlier than the date that is required. The User then has to pay exit capacity charges for those months even though they cannot use the Capacity. The proposed change would therefore enable better facilitation of Relevant Objective (d), securing effective competition between Shippers, because it ensures parties face the costs that they are responsible for and so improves cost targeting. In addition it offers the prospect of avoiding unwarranted costs and so exerting downward pressure on market prices, supporting effective competition.

Reducing the ad-hoc threshold from 10 to 1GWh (as proposed in 0376) could assist some Users to signal the appropriate demand rather than overstating what is needed or waiting until they are able to signal their true demand in the Annual Application Window. This would similarly facilitate the securing of effective competition by ensuring that User costs are aligned with their actual requirements, helping to

deliver cost reflectivity in support of competition. However, if increased volumes are processed through the ad-hoc process as a result of the threshold reduction, spare capacity could be allocated to the initial bidder and so not be available to others. There is therefore a risk that capacity allocations might be less appropriate with the lower threshold, and this would be counter to securing effective competition.

## 5 Impacts and Costs

### Consideration of Wider Industry Impacts

No adverse impact on wider industry developments is anticipated.

### Costs

#### Indicative industry costs – User Pays

##### Classification of the Proposal as User Pays or not and justification for classification

User Pays - Xoserve costs of up to £190k have been identified through a ROM.

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

The modification potentially benefits all parties; both Shippers and DNOs will benefit from the additional flexibility that the changes to the Ad hoc Application and Annual Application Processes will introduce and National Grid NTS may benefit through the receipt of more efficient investment signals.

The following split of the recovery between Gas Transporters and Users is proposed:

- Gas Transporters 67%
- Users 33%.

For information, the cost apportionment was based upon the following: National Grid NTS receiving 25% of the total costs. The remaining costs are split between Shipper and DNO Users based upon the level of Enduring Annual NTS Exit (Flat) Capacity each party currently holds for the 1<sup>st</sup> October 2012. This results in:

- DNO Users receiving 42% of the total costs
- Shipper Users receiving 33% of the total costs.

The overall Transporters split is derived by combining together the National Grid NTS and DNO User percentages.

Proposed charge(s) for application of Users Pays charges to Shippers
<p>The above costs would be pro rated between Shipper Users based on their Enduring Annual NTS Exit (Flat) Capacity holdings as a proportion of the total Enduring Annual NTS Exit (Flat) Capacity holdings held by all Shipper Users as of 01 October 2012.</p> <p>These charges will be one-off charges invoiced as soon as possible following the implementation of the system functionality.</p>
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve
To be confirmed.

## Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> <li>System changes of up to £190k identified.</li> </ul>
Operational Processes	<ul style="list-style-type: none"> <li>National Grid may be required to amend its operational and planning processes.</li> <li></li> </ul>
User Pays implications	<ul style="list-style-type: none"> <li>As above.</li> </ul>

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> <li>No material impact.</li> </ul>
Development, capital and operating costs	<ul style="list-style-type: none"> <li>Reduced costs due to capacity being booked on a more efficient basis.</li> </ul>

**Where can I find details of the UNC Standards of Service?**

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location: <http://www.gasgovernance.co.uk/sites/default/files/0565.zip>

Impact on Users	
Contractual risks	<ul style="list-style-type: none"> <li>Reduced due to Users being able to request variable start months via the annual application process.</li> </ul>
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> <li>None.</li> </ul>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> <li>None.</li> </ul>
Development, capital and operating costs	<ul style="list-style-type: none"> <li>More efficient development of the network due to capacity being signalled further in advance and at the required level.</li> </ul>
Recovery of costs	<ul style="list-style-type: none"> <li>User Pays.</li> </ul>
Price regulation	<ul style="list-style-type: none"> <li>None.</li> </ul>
Contractual risks	<ul style="list-style-type: none"> <li>Increased by obligation to meet more variable start dates.</li> </ul>
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> <li>None.</li> </ul>
Standards of service	<ul style="list-style-type: none"> <li>None</li> </ul>

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> <li>None.</li> </ul>

Impact on Code Administration	
UNC Committees	<ul style="list-style-type: none"> <li>• None</li> </ul>
General administration	<ul style="list-style-type: none"> <li>• None.</li> </ul>

Impact on Code	
Code section	Potential impact
<b>For 0376</b>	
TPD section B section 3.	
<ul style="list-style-type: none"> <li>• 3.2.1</li> <li>• 3.2.3 (b) (ii) (2)</li> <li>• 3.2.4 (b) (ii)</li> <li>• 3.2.10 (c)</li> </ul>	<ul style="list-style-type: none"> <li>• Add: Gas Year or the 1<sup>st</sup> of any specified month</li> <li>• 10 GWh to 1GWh (0376 only)</li> <li>• Change from Y+4 to Y+6</li> <li>• Change from Y+4 to Y+6</li> </ul>
<b>For 0376A</b>	
UNC TPD B3.2.1	<ul style="list-style-type: none"> <li>• Amend to reflect that a User may apply for Enduring Annual NTS Exit (Flat) Capacity from the 1<sup>st</sup> of any month within Gas Years Y+4, Y+5 &amp; Y+6</li> </ul>
UNC TPD B3.2.4(a) (ii)	<ul style="list-style-type: none"> <li>• Amend to reflect that a User may apply for Enduring Annual NTS Exit (Flat) Capacity from the 1<sup>st</sup> of any month within Gas Years Y+4, Y+5 &amp; Y+6</li> </ul>
UNC TPD B3.2.4(b) (ii)	<ul style="list-style-type: none"> <li>• Amend from Y+4 to Y+6</li> </ul>
UNC TPD B3.2.10(c)	<ul style="list-style-type: none"> <li>• Amend from Y+4 to Y+6</li> </ul>

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact

Impact on UNC Related Documents and Other Referenced Documents	
ExCR	National Grid NTS will consider whether changes may need to be reflected in document
Network Entry Agreement (TPD I1.3)	None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	None
Storage Connection Agreement (TPD R1.3.1)	None
UK Link Manual (TPD U1.4)	None
Network Code Operations Reporting Manual (TPD V12)	None
Network Code Validation Rules (TPD V12)	None
ECQ Methodology (TPD V12)	None
Measurement Error Notification Guidelines (TPD V12)	None
Energy Balancing Credit Rules (TPD X2.1)	None
Uniform Network Code Standards of Service (Various)	None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None
Gas Transporter Licence	None

Other Impacts	
Item impacted	Potential impact
Security of Supply	Improved due to better facilitation of competition by better meeting customer needs.



Operation of the Total System	None
Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	Increased certainty and better matching of requirements for developers of NTS exit capacity.

## 6 Implementation

As self-governance procedures are proposed, implementation could be 16 business days after a Modification Panel decision to implement.

## 7 The Case for Change

In addition to the issues identified above, these modifications would better align Entry and Exit processes.

## 8 Legal Text

The Workgroup identified some issues with the text, and National Grid NTS agreed to address this with the responsible lawyer.

### For 0376

#### Proposer's Suggested Legal Text

#### TPD Section B; SYSTEM USE AND CAPACITY

*Amend paragraph 3.2.1, 3.2.3, 3.2.4, 3.2.8 and 3.2.10 as set out below:*

- 3.2.1 In each Gas Year (Y) Users may apply for Enduring Annual NTS Exit (Flat) Capacity to be registered as held with effect from the first Day of any month within Gas Years Y+4, Y+5 or Y+6 or in accordance with the provisions of 3.2.3(b), at each NTS Exit Point, in accordance with the further provisions of this paragraph 3.2 and having regard to the Exit Capacity Release Methodology Statement.
- 3.2.3 An application for Enduring Annual NTS Exit (Flat) Capacity:
- (a) during an Annual Application Window may be for an amount of Enduring Annual NTS Exit (Flat) Capacity equal to:
    - (i) where paragraph 3.2.25 applies in relation to a User and an NTS Exit Point, the sum of the deemed application amount and any additional Enduring Annual NTS Exit (Flat) Capacity (if any) which the User wishes to apply for at the NTS Exit Point; or
    - (ii) where paragraph 3.2.25 does not apply in relation to a User and an NTS Exit Point, the Enduring Annual NTS Exit (Flat) Capacity (if any) which the User wishes to apply for at the NTS Exit Point;
  - (b) may be made by a User at any time between 1 October and 30 June in Gas Year Y where the application is:
    - (i) in respect of a New NTS Exit Point; or
    - (ii) for an amount of Enduring Annual NTS Exit (Flat) Capacity which:
      - (1) if accepted would result in Users holding in aggregate an amount of Enduring Annual NTS Exit (Flat) Capacity in excess of 125% of the Baseline NTS Exit (Flat) Capacity at the NTS Exit Point in respect of the Gas Year for which the application is made; or
      - (2) exceeds 1 GWh/Day;
  - (c) shall specify:
    - (i) the identity of the User;
    - (ii) the NTS Exit Point in respect of which the application is made;
    - (iii) the Gas Year in respect of which the application is made; and
    - (iv) the amount of Enduring Annual NTS Exit (Flat) Capacity applied for (being not less than the minimum eligible amount);

any part thereof) the amount of Enduring Annual NTS Exit (Flat) Capacity applied for in respect of any later Gas Year shall be expressed as the amount in excess of the amount applied for in respect of any earlier Gas Year.

3.2.4 A User:

- (a) in the case of an application made under paragraph 3.2.3(a):
  - (i) may submit an application for Enduring Annual NTS Exit (Flat) Capacity during the Annual Application Window;
  - (ii) may apply for Enduring Annual NTS Exit (Flat) Capacity to be registered with effect from the first Day of any month within Gas Years Y+4, Y+5 and Y+6;
  - (iii) may have, at any one time, no more than one (1) application for each of Gas Year Y+4, Y+5 and Y+6 for Enduring Annual NTS Exit (Flat) Capacity capable of acceptance by National Grid NTS in respect of an NTS Exit Point; and
  - (iv) may withdraw or modify an application under paragraph 3.2.3(a)(ii) at any time during the Annual Application Window, but may only modify (and not withdraw) an application under paragraph 3.2.3(a)(i) during such period by reducing the amount of Enduring Annual NTS Exit (Flat) Capacity applied for to not less than the deemed application amount;
- (b) in the case of an application made under paragraph 3.2.3(b):
  - (i) may apply for up to four (4) separate tranches of Enduring Annual NTS Exit (Flat) Capacity, specifying in each case the amount applied for in each separate tranche;
  - (ii) shall specify, in respect of each separate tranche applied for, the date with effect from which the User wishes to be registered as holding the Enduring Annual NTS Exit (Flat) Capacity, such date being not earlier than six (6) months from the date the application is made and not later than 1 October in Gas Year Y+6; and
  - (iii) in respect of a New NTS Exit Point, shall submit with its application such other documentation (as published by National Grid NTS from time to time) required by National Grid NTS for the purposes of commencing work on new connections to the NTS.

3.2.8 In respect of an application made under paragraph 3.2.3(a):

- (a) where National Grid NTS has rejected or accepted in part only an application made by a DNO User pursuant to paragraph 3.7.5 for NTS Exit (Flexibility) Capacity or Section J2.5 in relation to an increase in the Assured Offtake Pressure in respect of Gas Year Y+4, Y+5 or Y+6, a DNO User may submit a revised application for Enduring Annual NTS Exit (Flat) Capacity on any of the five (5) Business Days following 15 September in Gas Year Y with effect from the first Day of any month within Gas Years Y+4, Y+5 and Y+6;

3.2.10 where an application is made under paragraph 3.2.3(b) (which is not rejected pursuant to paragraph 3.2.5 National Grid NTS will make an offer (in accordance with the principles in the Exit Capacity Release Methodology Statement) to the User which specifies:

- (a) the amount of Enduring Annual NTS Exit (Flat) Capacity offered, being equal to the amount applied for under paragraph 3.2.4(b)(i);
- (b) the date(s) with effect from which the User applied to be registered

as holding the Enduring Annual NTS Exit (Flat) Capacity (or each separate tranche specified in the application);

- (c) the date(s) with effect from which National Grid NTS is able to make Enduring Annual NTS Exit (Flat) Capacity available at the NTS Exit Point, such dates(s) being not earlier than the date(s) with effect from which the User applied to be registered as holding Enduring Annual NTS Exit (Flat) Capacity and not later than 1 October in the Gas Year Y+6 ; and
- (d) where applicable, the Demonstration Date;

and National Grid NTS will use its reasonable endeavours to make available Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point with effect from the date(s) from which the User applied to be registered as holding the Enduring Annual NTS Exit (Flat) Capacity.

## **For 0376A**

### **DRAFT LEGAL TEXT provided by National Grid NTS**

Underlined text signifies proposed additions and strike through text signifies proposed deletions.

### **TPD Section B - SYSTEM USE AND CAPACITY**

Amend paragraph 3.2.1, 3.2.3, 3.2.4, 3.2.8 and 3.2.10 as set out below:

3.2.1 In each Gas Year (Y) Users may apply for Enduring Annual NTS Exit (Flat) Capacity to be registered as held with effect from the first Day of any month within Gas Years Y+4, Y+5 or Y+6 or in accordance with the provisions of 3.2.3(b), at each NTS Exit Point, in accordance with the further provisions of this paragraph 3.2 and having regard to the Exit Capacity Release Methodology Statement.

3.2.3An application for Enduring Annual NTS Exit (Flat) Capacity:

- (a) during an Annual Application Window may be for an amount of Enduring Annual NTS Exit (Flat) Capacity equal to:
  - (i) where paragraph 3.2.25 applies in relation to a User and an NTS Exit Point, the sum of the deemed application amount and any additional Enduring Annual NTS Exit (Flat) Capacity (if any) which the User wishes to apply for at the NTS Exit Point; or
  - (ii) where paragraph 3.2.25 does not apply in relation to a User and an NTS Exit Point, the Enduring Annual NTS Exit (Flat) Capacity (if any) which the User wishes to apply for at the NTS Exit Point;

- (b) may be made by a User at any time between 1 October and 30 June in Gas Year Y where the application is:
  - (ii) in respect of a New NTS Exit Point; or
  - (ii) for an amount of Enduring Annual NTS Exit (Flat) Capacity which:
    - (1) if accepted would result in Users holding in aggregate an amount of Enduring Annual NTS Exit (Flat) Capacity in excess of 125% of the Baseline NTS Exit (Flat) Capacity at the NTS Exit Point in respect of the Gas Year for which the application is made; or
    - (2) exceeds 10 GWh/Day;
- (c) shall specify:
  - (i) the identity of the User;
  - (ii) the NTS Exit Point in respect of which the application is made;
  - (iii) the Gas Year in respect of which the application is made; and
  - (iv) the amount of Enduring Annual NTS Exit (Flat) Capacity applied for (being not less than the minimum eligible amount);

and where the User makes applications for different Gas Years (or any part thereof ~~in the case of an application made under paragraph 3.2.3(b)~~) the amount of Enduring Annual NTS Exit (Flat) Capacity applied for in respect of any later Gas Year shall be expressed as the amount in excess of the amount applied for in respect of any earlier Gas Year.

#### 3.2.4 A User:

- (a) in the case of an application made under paragraph 3.2.3(a):
  - (i) may submit an application for Enduring Annual NTS Exit (Flat) Capacity during the Annual Application Window;
  - (ii) may apply for Enduring Annual NTS Exit (Flat) Capacity to be registered with effect from the 1 October in first day of any month within Gas Years Y+4, Y+5 and Y+6;
  - (iii) may have, at any one time, no more than one (1)

Enduring Annual NTS Exit (Flat) Capacity capable of acceptance by National Grid NTS in respect of an NTS Exit Point; and

- (iv) may withdraw or modify an application under paragraph 3.2.3(a)(ii) at any time during the Annual Application Window, but may only modify (and not withdraw) an application under paragraph 3.2.3(a)(i) during such period by reducing the amount of Enduring Annual NTS Exit (Flat) Capacity applied for to not less than the deemed application amount;

(b) in the case of an application made under paragraph 3.2.3(b):

- (i) may apply for up to four (4) separate tranches of Enduring Annual NTS Exit (Flat) Capacity, specifying in each case the amount applied for in each separate tranche;
- (ii) shall specify, in respect of each separate tranche applied for, the date with effect from which the User wishes to be registered as holding the Enduring Annual NTS Exit (Flat) Capacity, such date being not earlier than six (6) months from the date the application is made and not later than 1 October in Gas Year ~~Y+4~~ Y+6; and
- (iii) in respect of a New NTS Exit Point, shall submit with its application such other documentation (as published by National Grid NTS from time to time) required by National Grid NTS for the purposes of commencing work on new connections to the NTS.

3.2.8 In respect of an application made under paragraph 3.2.3(a):

- (a) where National Grid NTS has rejected or accepted in part only an application made by a DNO User pursuant to paragraph 3.7.5 for NTS Exit (Flexibility) Capacity or Section J2.5 in relation to an increase in the Assured Offtake Pressure in respect of Gas Year Y+4, Y+5 or Y+6, a DNO User may submit a revised application for Enduring Annual NTS Exit (Flat) Capacity on any of the five (5) Business Days following 15 September in Gas Year Y ~~for~~ with effect from the first Day of any month within Gas Years Y+4, Y+5 and Y+6;

3.2.10 where an application is made under paragraph 3.2.3(b) (which is not rejected pursuant to paragraph 3.2.5) National Grid NTS will make an offer (in accordance with the principles in the Exit Capacity Release Methodology Statement) to the User which



specifies:

- (a) the amount of Enduring Annual NTS Exit (Flat) Capacity offered, being equal to the amount applied for under paragraph 3.2.4(b)(i);
- (b) the date(s) with effect from which the User applied to be registered as holding the Enduring Annual NTS Exit (Flat) Capacity (or each separate tranche specified in the application);
- (c) the date(s) with effect from which National Grid NTS is able to make Enduring Annual NTS Exit (Flat) Capacity available at the NTS Exit Point, such dates(s) being not earlier than the date(s) with effect from which the User applied to be registered as holding Enduring Annual NTS Exit (Flat) Capacity and not later than 1 October in the Gas Year  $Y+4$   $Y+6$  ; and
- (d) where applicable, the Demonstration Date;

and National Grid NTS will use its reasonable endeavours to make available Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point with effect from the date(s) from which the User applied to be registered as holding the Enduring Annual NTS Exit (Flat) Capacity.

## 9 Recommendation

The Workgroup invites the Panel to:

- AGREE that Modifications 0376 and 0376A be submitted for consultation.