

**CODE MODIFICATION PROPOSAL No 142**  
**Extension of the Current Sunset Clauses for Registration of Capacity at NTS Exit**  
**Points**  
**Version 1.0**

**Date:** 17/04/2007

**Proposed Implementation Date:** 01/06/2007

**Urgency:** Urgent

## **1 The Modification Proposal**

### **a) Nature and Purpose of this Proposal**

The Authority decision on the sale of gas distribution networks by National Grid Transco concluded that NTS offtake arrangements required reform to be introduced in two phases:

- “Interim Arrangements” to establish the new commercial framework recognising the new NTS/DN interface; and
- “Enduring Arrangements” (by September 2005) to introduce more market based arrangements effective from Gas Year 2008/09 consistent with the Authority’s November 2004 Final Impact Assessment with regard to NTS exit capacity reform.

The Uniform Network Code (UNC) was therefore developed on the basis that the Interim Arrangements would expire on 30 September 2008 and sunset clauses were introduced associated with the arrangements for:

- a) Firm Capacity Applications for NTS Exit Points (under TPD Section B3.9); and
- b) NTS Offtake Capacity registration for NTS/LDZ offtakes and provision of the Offtake Capacity Statement (under TPD Section B6.2 and B6.3).

It was envisaged that the Enduring Arrangements would be introduced shortly after completion of the DN sales process, facilitated by a UNC Modification Proposal, to define the NTS Exit Capacity Regime to apply in respect of booking and utilisation of NTS Exit Capacity for the period from 1st October 2008. However, on 24 June 2005 the Authority announced the delay to the implementation of the Enduring Arrangements until September 2007 for release of NTS Exit Capacity rights from Gas Year 2010/11 to permit more time to consider and refine the detail of these arrangements. As a result of this National Grid NTS raised, and the Authority subsequently approved implementation of Modification Proposal 0046 “Extension of the Sunset Clauses for Registration of Capacity at NTS Exit Points”. This extended the Transitional Arrangements by an additional 2 years. National Grid NTS raised Modification Proposal 0116V “Reform of the NTS Offtake Arrangements” to facilitate the enduring arrangements. In the Authority’s decision letter dated 05 April 2007 the Authority directed the implementation of Modification Proposal 0116V with an effective date of 01 April 2008. The Authority recognised that such a delay was likely to require further Modifications to the UNC in order to establish capacity booking arrangements for Gas Year 2010/11.

National Grid NTS therefore proposes the following changes to the UNC to reflect the implementation date detailed in the Authority’s implementation notice: -

a) Firm Capacity Applications

It is proposed that the current arrangements for Firm Capacity Applications be extended to continue until 30 September 2011. This will allow Shipper Users to continue to request increases in Firm Capacity or redesignation of an Interruptible Supply Point as Firm for utilisation over an extra Gas Year.

b) NTS Offtake Capacity Registration Process

In accordance with current UNC provisions, Distribution Network Operator (DNO) Users have NTS Offtake Capacity allocations for each of its NTS/LDZ offtakes for each Gas Year up to and including Gas Year ending 30 September 2010. These allocations are contained within the relevant Offtake Capacity Statement. DNO Users are able to request an increase or decrease to these allocations during June/July each year (“the Application Window”). National Grid NTS then informs the DNO User whether its application has been accepted in whole or in part, or rejected, through issuing a revised Offtake Capacity Statement (OCS) by 30 September following the Application Window. The Offtake Capacity Statement contains the allocated NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity for each of its NTS/LDZ offtakes together with the Assured Offtake Pressure.

It is proposed to extend these arrangements over the period of the Transitional Arrangements such that DNO Users are able to apply on an annual basis for initial amounts of NTS Offtake Capacity at each of its NTS/LDZ offtakes beyond 30 September 2010 to 30 September 2011. Therefore for 2007, it is proposed that DNO Users would apply for initial amounts of NTS Offtake Capacity for Gas Year 2010/11 during the normal June/July Application Window.

Amendments to previously allocated NTS Offtake Capacity amounts are proposed to continue on the same basis as the current arrangements over the transitional period. This would mean, for example, that DNO Users would be able to apply for changes to existing allocations for Gas Years 2007/08, 2008/09 and 2009/10 in June/July 2007.

National Grid NTS will make determinations of any request to amend capacity allocations or for an initial amount of capacity in accordance with the Incremental Exit Capacity Release (IExCR) Methodology Statement. National Grid NTS intends to consult on the changes to the current interim IExCR to extend its applicability beyond 30 September 2010 up to 30 September 2011. This will include an approach for treatment of applications for the release of incremental capacity that require NTS investment and thus require consideration as to when it is appropriate to invest in the NTS and/or contract for demand management to enable increases in the availability of capacity within the NTS.

As there are no agreed Assured Offtake Pressures for Gas Years beyond 30 September 2010, it is proposed that such values are set for each NTS/LDZ offtake at the same level as specified for the previous Gas Year, subject to any revisions agreed in accordance with existing mechanisms under TPD Section J2.5.

*Table 1. Proposed Timetable for NTS Offtake Capacity Registration over the revised transitional period*

<b>Application Window</b>	<b>Requests for Amended Capacity – Relevant Gas Years</b>	<b>Requests for Initial Capacity – Relevant Gas Year</b>	<b>National Grid NTS Response to Capacity Request</b>
June/July 2007	2007/08	2010/11	30 September 2007
	2008/09		
	2009/10		
June/July 2008	2008/09		30 September 2008
	2009/10		
	2010/11		
June/July 2009	2009/10		30 September 2009
	2010/11		
June/July 2010	2010/11		30 September 2010

It is recognised that Shipper Users at NTS Supply Points and NTS CSEPs can only formally register NTS Exit Capacity requirements under the current UNC provisions for shorter periods and closer to the gas flow day compared to the proposals set out above for DNs. However, Shipper Users and/or developers may be able to “reserve” future capacity requirements that would require specific investment in the NTS via the execution of an Advanced Reservation of Capacity Agreement (ARCA) as explained in the National Grid statement of “Principles and Methods to be used to Determine Charges for National Transmission System Connection Services” (available on National Grid’s website). An ARCA obliges National Grid NTS to accept Shipper User applications for firm capacity (or a load increase or transfer) in respect of the relevant NTS Exit Point up to the level in the ARCA over a specified period. National Grid NTS therefore considers that the current arrangements in place for NTS Supply Points and NTS CSEPs allow Shipper Users, where NTS investment is required to obtain the required rights, although indirectly, for capacity ahead of and for longer periods than the formal UNC registration process allows and is thus comparable to the proposals put forward in this Modification for DNO Users. This therefore allows, in National Grid NTS’s view, for a corresponding delay in the fundamental changes in the Shipper User UNC registration processes until the Enduring Arrangements are implemented, in accordance with the Authority’s implementation notice dated 05 April 2007, when common capacity products and registration processes would be introduced across all NTS Exit Points with effect from 01 April 2008 (for Gas Year 2011/12 onwards).

If this Proposal were not implemented in the indicated timescales, there would be no mechanism:

- for DNO Users to apply for, and National Grid NTS to confirm, NTS Offtake Capacity requirements beyond September 2010, such that Transporters are able to finalise their

respective investment plans and ensure compliance with their Licence and Safety Case obligations.

- for Shipper Users to continue to request increases in Firm Capacity or redesignation of an Interruptible Supply Point as Firm for utilisation over an extra Gas Year.

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

The Authority approved implementation of Modification Proposal 0116V “Reform of the NTS Offtake Arrangements” on the 05 April 2007 with an implementation date of 01 April 2008. Due to this implementation date, National Grid NTS believes that the current sunset clauses, relating to the registration of capacity at NTS Exit Points, need to be extended by an additional year to incorporate Gas Year 2010/11 within the OCS process.

The 2007 OCS process commences on the 01 June 2007. In order to enable Distribution Network Operators to signal their requirements, via the OCS, to National Grid NTS, for Gas Years 2007/08, 2008/09, 2009/10 and 2010/11 and for National Grid NTS to respond to such requests by 30 September 2007, National Grid NTS believes that this Modification Proposal needs to be treated as urgent. Hence, National Grid NTS believes that a decision on this Proposal should be provided as a matter of urgency due to the timelines involved in this process.

National Grid NTS therefore requests that the Authority grants Urgent status for this Modification Proposal on the basis that it believes this Proposal should be implemented prior to the commencement of the 2007 Offtake Capacity Statement (OCS) process.

National Grid NTS believes the following timetable should be adopted:

Sent to Ofgem requesting urgency	17/04/2007
Ofgem grant urgent status	18/04/2007
Proposal issued for consultation	19/04/2007
Closeout for representations (10 working days)	03/05/2007
FMR issued by Joint Office	10/05/2007
Modification Panel decide upon recommendation	17/05/2007
Ofgem decision expected	24/05/2007
Proposed implementation date	01/06/2007

**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.**

National Grid NTS believes, due to the requirement for this Modification Proposal to be in place prior to the 2007 OCS process, that this Proposal should proceed straight to consultation.

**2 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**

National Grid NTS considers this Proposal would, if implemented, better facilitate the following Relevant Objectives as set out in its Gas Transporters Licence:

- in respect of Standard Special Condition A11 paragraph 1(a), the Proposal would enable DNO Users to register its NTS/LDZ Offtake Capacity requirements beyond September 2010, which would allow National Grid NTS to undertake better informed investment decisions and thereby better facilitate the efficient and economic operation of the NTS pipeline system;
- in respect of Standard Special Condition A11 paragraph 1(b), the Proposal would enable National Grid NTS and DNO Users to formally confirm NTS/LDZ Offtake Capacity levels to support their respective investment decisions beyond September 2010 and thereby better facilitate the co-ordinated, efficient and economic operation of the combined pipeline system; and
- in respect of Standard Special Condition A11 paragraph 1(c) (the efficient discharge of the licensee's obligations under this Licence), the Proposal would also promote the economic and efficient development and operation of the system which might be expected to facilitate the relevant objective of compliance with Licence obligations.

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

National Grid NTS considers that implementation of this Proposal would benefit security of supply by ensuring DNO Users are able to request NTS Offtake Capacity requirements and National Grid NTS is able to confirm allocations to DNO Users for one Gas Year beyond September 2010. This will support the Transporter's undertaking of investment decisions in a co-ordinated manner and ensure sufficient transportation capability is available to meet the peak demand.

**4 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 operation of the System.

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

National Grid NTS believes this Proposal, if implemented, would facilitate the efficient and economic formulation of each Transporter's investment programmes, thereby allowing investments to be undertaken in a more cost

effective and efficient manner.

**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:**

National Grid NTS does not believe this Proposal, if implemented, requires it to recover any additional costs.

**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 does not believe this Proposal, if implemented, would have any consequences on the level of contractual risk of each Transporter.

**5 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)**

National Grid NTS considers that implementation of this Proposal would benefit security of supply by ensuring DNO Users are able to request NTS Offtake Capacity requirements and National Grid NTS is able to confirm allocations to DNO Users for one Gas Year beyond September 2010. This will support the Transporter's undertaking of investment decisions in a co-ordinated manner and ensure sufficient transportation capability is available to meet the peak demand.

**6 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**

National Grid NTS does not envisage any impact on the UK Link System or related computer systems of each Transporter if this Proposal were to be implemented.

**7 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 does not believe this Proposal, if implemented, would have any additional implications on the administrative or operational processes/procedures.

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

National Grid NTS believes this Proposal, if implemented, would facilitate the efficient and economic formulation of each Transporter's investment programmes, thereby allowing investments to be undertaken in a more cost effective and efficient manner.

**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 does not believe this Proposal, if implemented, would have any consequences 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.

**8 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 has not identified any adverse implications.

**9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters**

National Grid NTS has not identified any consequences.

**10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above**

**Advantages**

National Grid NTS believes that this Proposal, if implemented, would:

- allow DNO Users to apply for NTS Offtake Capacity requirements and National Grid NTS to confirm capacity allocations to DNO Users for an additional Gas Year beyond 30 September 2010. This will support the Transporter's undertaking of co-ordinated, efficient and economic investment decisions and ensure sufficient transportation capability is available to meet the peak demand; and
- allow for the extension of the Transitional Arrangements until the Enduring Arrangements are implemented, with effect from 01 April 2008 for Gas Year 2011/12 onwards, without fundamental changes to the Shipper User capacity registration processes.

**Disadvantages**

National Grid NTS is unaware of any disadvantages.

**11 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)**

Not applicable

**12 Detail of all other representations received and considered by the Proposer**

Not applicable.

**13 Any other matter the Proposer considers needs to be addressed**

None identified.

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

National Grid NTS believes the following timetable should be adopted:

Sent to Ofgem requesting urgency	17/04/2007
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Proposed implementation date	01/06/2007

**15 Comments on Suggested Text**

To be advised

**16 Suggested Text**

To be advised

**Code Concerned, sections and paragraphs**

Uniform Network Code

Transportation Principal Document

**Section(s)** TPD Section B

UNC Transition Document, Part II Transition Rules

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