

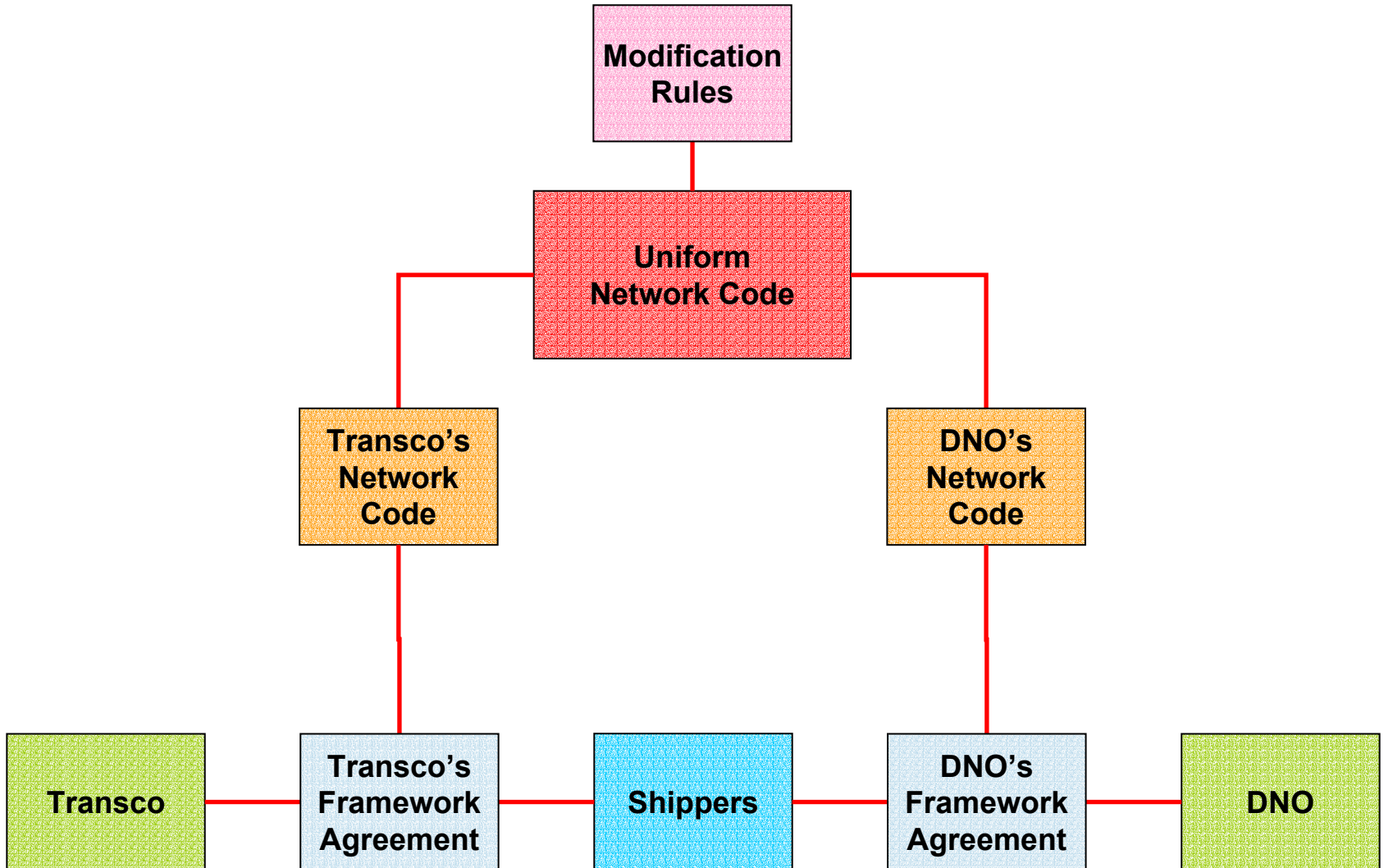
Development of UNC: Analysis of Change

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Proposed Contract Model



Development Principles

- Transco's present Network Code used as the basis for the Uniform Network Code
 - **Provide clarify of the respective rights and obligations of transporters, consistent with remuneration under separate price controls**
 - **Include only change driven by the need to accommodate multiple transporters**
 - **Ensure that change to commercial arrangements and business processes interfacing with shippers are kept to an absolute minimum**

What wouldn't need to change?

- NTS Entry Capacity
 - Auctions
 - Trading
- NTS Exit Capacity (CIG developments fed prevailing modification process)
- Energy processes
 - Nominations
 - Trading
 - Balancing incentives
 - Cash-out & neutrality
- Supply Point processes
 - Nominations
 - Confirmations
 - Referrals
- Operation of Interruption

What would need to change?

- Use of Transco

How would “Use of Transco” change?

Transco would be replaced in the Network Code with one of the following, depending on where the obligation or right rested:

(1) “Transco” is retained

Used where it remains necessary to refer to Transco plc.

(2) “Transco” is replaced with [Transco (NTS)]

Used where the obligation falls on Transco in its role as the NTS operator

(3) “Transco” is replaced with [a / the relevant transporter(s)]

Used where the obligation falls on a transporter or transporters operating a particular network or networks.

(4) “Transco” is replaced with [transporters]

Used where the obligations fall on **all** UNC transporter participants jointly.

(5) “Transco” is replaced with [each transporter].

Used where it is required to establish bilateral obligations between each transporter and (a) shipper(s).

What would need to change?

- Use of Transco
- Accession

How would Accession change?

(1) **UNC Implementation: Getting to Day 1**

- Users would be required to sign agreements with each of the new owners of the DNS on which they want to ship.
- Would not effect NTS-only shippers; traders etc.

(2) **Normal Running: After Day 1**

- Users would be required to sign multiple agreements and would not be able to confirm supply points until DN gives “green-light”
 - Contracts signed
 - Security in place

What would need to change?

- Use of Transco
- Accession
- Invoices

How would Invoices change?

- (1) No change to Energy Balancing and Entry and NTS Exit Capacity**
- (2) Format changes for LDZ Capacity, Commodity and Reconciliation**
 - **“Thin” invoices submitted at Transporter level**
 - **New Files**
 - **Establish the legal entity entitled to payment**
 - **Include VAT details and payment bank account details**
 - **This would be the amount due to the DN**
 - **“Thick” invoices will be submitted to shipper at the same level as now**
 - **Existing Files**
 - **Contain supporting information**
 - **Detail the charges for transportation across the entire system**
- (3) Minor changes to Ad-hoc**
- (4) Minor modification required to code to accommodate split reconciliation charge between NTS and DN**

What would need to change?

- Use of Transco
- Accession
- Invoices
- Credit Arrangements

How would Credit Arrangements change?

- (1) Credit arrangements would need to be established for each trading relationship:
- For Day 1 - existing Code Credit Rules would apply
 - Security would need to be lodged with each independent DN prior to commencement of trading
 - Security with Transco could be rebalanced
 - After Day 1, “Credit Rules” would be the responsibility of the DNO

What would need to change?

- Use of Transco
- Accession
- Invoices
- Credit Arrangements
- Termination

How would Termination change?

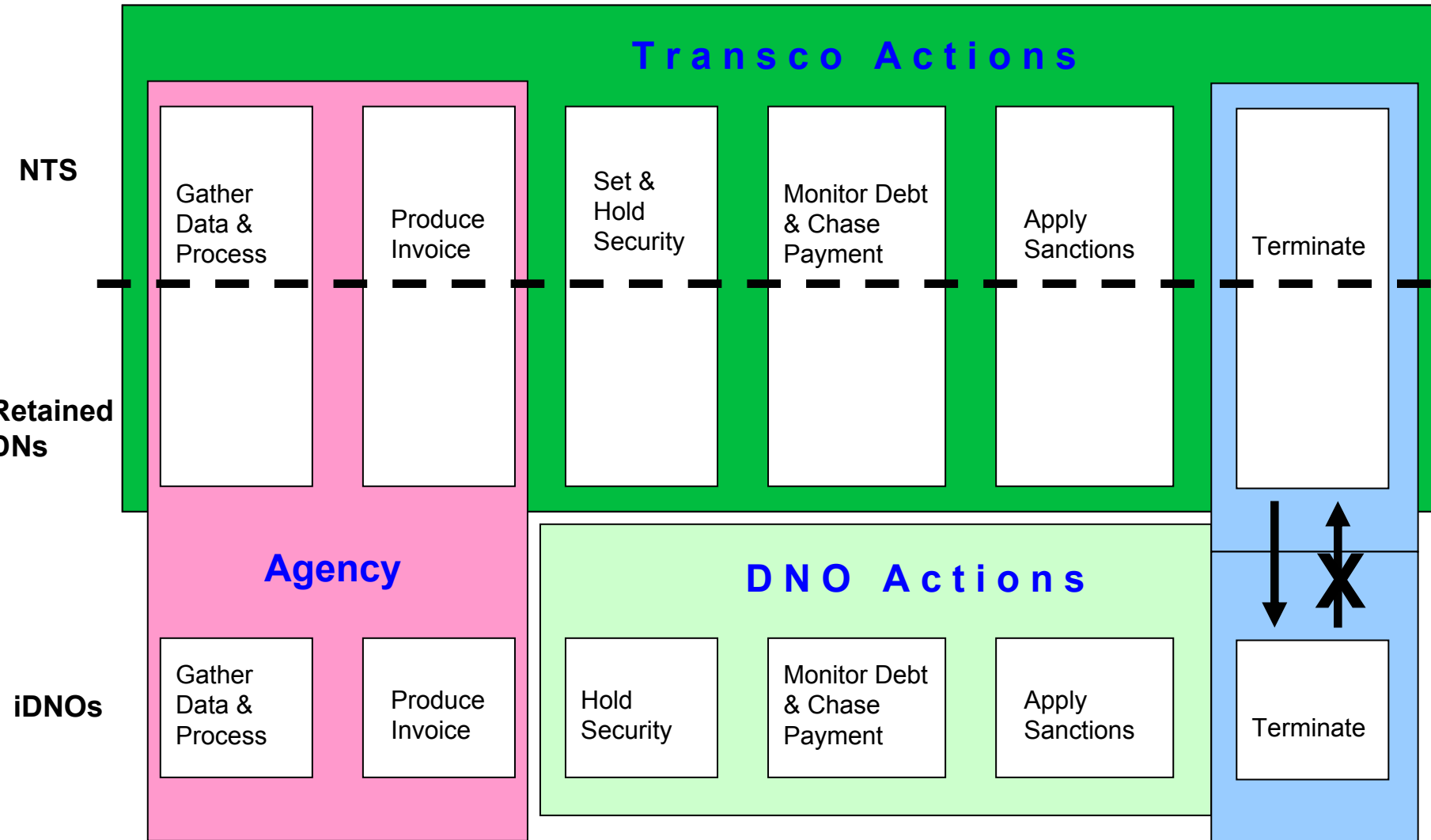
(1) Partial

- Would allow a DN to make decisions concerning its part of the system
 - Default on DN's transportation bills
 - Material breach
 - Receivership or insolvency

(2) One-out: all out

- Triggered where event, or effect of termination, would leave the shipper unable to function
 - Licence revocation
 - EBCC instruction
 - Default on NTS (Transco) transportation bills

Invoicing & Credit Activity Blocks



What would need to change?

- Use of Transco
- Accession
- Credit Arrangements
- Termination
- Invoices
- Shrinkage

How would Shrinkage change?

- (1) Cost of shrinkage included in DNO formulae**
- (2) Each Network Operator would be recognised as Shrinkage Provider under the UNC**
 - **Given limited trading rights**
 - **Make Input and shrinkage related Output Nominations**
 - **Pay Balancing Charges**
 - **Would not pay any Transportation Charges**
 - **Would not pay Scheduling or Neutrality Charges**

What would need to change?

- Use of Transco
- Accession
- Credit Arrangements
- Termination
- Invoices
- Shrinkage
- Governance

How would the Governance change?

- Modification Rules amended to accommodate new transporters
 - Rules to be developed:
 - To target majority of change on UNC
 - To ensure DN divergence is not excluded where appropriate
- Panel, Committees and Workstream composition to include new transporters
- Transporter Forum may be required to assess impact of change and optimise implementation
- Proposal is to rest administration with NTS
 - Manager” of the process
 - Provide Secretariat
 - Publish documentation
 - Coordinate consultations
- UKD & iDNs – participation in process similar to shippers





Number of revised or new provisions

Limited number of revised and new provisions (category 2 and 3 changes) required

	Title	No
A	System Classification	1
B	System Use and Capacity	1
C	Nominations	0
D	Operational Balancing and Trading Arrangements	0
E	Daily Quantities, Imbalance and Reconciliation	3
F	System Clearing, Balancing Charges and Neutrality	0
G	Supply Points	4
H	Demand Estimation and Demand Forecasting	1
I	Entry Requirements	1
J	Exit Requirements	1
K	Operating Margins	0
L	Maintenance and Operational Planning	1
M	Supply Meter Points	0

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	Title	N
N	Shrinkage	2
O	System Planning	0
P	Top Up	0
Q	Emergencies	1
R	Storage	0
S	Invoicing and Payment	1
T	Dispute Resolution	1
U	UK-Link	1
V	General	1
W	Interpretation	3
X	Energy Balancing Credit Management	0
Y	N/a	-
Z	Transco LNG Storage Facilities	0

	Code section	Targeting rights and obligations (Category 1 changes)	Revised and new provisions (Category 2 and 3 changes)
A	System Classification	• NTS designates Exit Zones	• Definition of whole GB system
B	System Use & Capacity	• Mainly NTS obligations • LDZ capacity a DN obligation	• DN ability to terminate its Users
C	Nominations	• NTS obligations	• None
D	Operational Balancing & Trading Arrangements	• NTS obligations – retains single national balancing function	• None
E	Daily Quantities, Imbalance and Reconciliation	• Mainly NTS obligations • Meter point reconciliation a DN obligation	• Shipper imbalance calculated across whole GB system • DN to measure LDZ input quantities and notify NTS [OC] • Commodity reconciliations will be applied at both NTS and DN level

	Code section	Targeting rights and obligations (Category 1 changes)	Revised and new provisions (Category 2 and 3 changes)
F	System Clearing, Balancing Charges & Neutrality	• NTS obligations	• None
G	Supply Points	• Obligations rest with the transporter to whose system the supply point is connected	• Supplier of Last Resort obligations amended accordingly • Interruption rules amended accordingly
H	Demand Estimation and Demand Forecasting	• DN obligations – from datalogger reads to publication of daily demand quantities	• Use of common methodology and sampling
I	Entry Requirements	• Obligations rest with the transporter whose system the entry point feeds (mainly NTS)	• Gas transfers between UNC transporters are risk-free
J	Exit Requirements	• Obligations rest with the transporter to whose system the exit point is connected	• A shipper's aggregate entitlement to 'failure to supply' compensation is same as under NWC currently

	Code section	Targeting rights and obligations (Category 1 changes)	Revised and new provisions (Category 2 and 3 changes)
K	Operating Margins	• NTS rights & obligations	• None
L	Maintenance & Operational Planning	<ul style="list-style-type: none"> • NTS produces and publishes the Maintenance Programme • DNs contribute to ensure coordination across whole GB system [OC] 	<ul style="list-style-type: none"> • Allow transfer of information between transporters to enable production of the Maintenance Programme
M	Supply Meter Points	• Obligations rest with the owner of the meter	• None – but significant changes likely to be required by RGMA
N	Shrinkage	• Each transporter responsible for shrinkage in its system	• Allow the creation of multiple shrinkage providers
O	System Planning	<ul style="list-style-type: none"> • NTS produces Base Plan Assumptions and Ten Year Statement • DNs contribute data [OC] 	• None
P	Top-Up	• NTS obligations	• None

	Code section	Targeting rights and obligations (Category 1 changes)	Revised and new provisions (Category 2 and 3 changes)
Q	Emergencies	<ul style="list-style-type: none"> • Supply-side obligations rest with NTS • Demand-side and supply point-related obligations rest with the relevant transporter • <i>[OC establishes inter-transporter procedures]</i> 	<ul style="list-style-type: none"> • ‘Consequences clause’ to include the diversion of resources between transporters during a Gas Supply Emergency
R	Storage	<ul style="list-style-type: none"> • Relates only to NTS 	<ul style="list-style-type: none"> • None
S	Invoicing and Payment	<ul style="list-style-type: none"> • Each transporter (NTS, each DN) will have shipper relationships 	<ul style="list-style-type: none"> • Redistribution of items on the invoice to align charges with NTS and DN activities
T	Dispute Resolution	<ul style="list-style-type: none"> • Transporters, either individually or as a group, able to use the procedures; shippers, similarly 	<ul style="list-style-type: none"> • Transporters collectively responsible for providing a Disputes Secretary

	Code section	Targeting rights and obligations (Category 1 changes)	Revised and new provisions (Category 2 and 3 changes)
U	UK-Link	<ul style="list-style-type: none">• Obligations rest with all transporters jointly• UK-Link manual will define the applications, including the split between Agency and NTS	<ul style="list-style-type: none">• Allow transporters to discharge these obligations via a third party
V	General	<ul style="list-style-type: none">• Alignment with other sections of the UNC	<ul style="list-style-type: none">• Framework Agreement reference not required• Stronger information protection, given multiple transporters• Allow transporters to use agents• Committee composition to reflect new transporters• Credit definitions to relate to individual transporters (not UNC)• Modify provisions relating to application of credit sanctions• Modify consequences of termination so that termination by DN could occur

UNC changes

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	Code section	Targeting rights and obligations (Category 1 changes)	Revised and new provisions (Category 2 and 3 changes)
W	Interpretation	<ul style="list-style-type: none">Recast definitions if UNC terminology or changes in other sections require it	<ul style="list-style-type: none">Some changes will be more than a simple substitution for 'Transco'
X	Energy Balancing Credit Management	<ul style="list-style-type: none">NTS obligation<i>[Agency discharges]</i>	<ul style="list-style-type: none">None
Z	Transco LNG Storage Facilities	<ul style="list-style-type: none">NTS operates the arm's-length relationship with Transco LNG	<ul style="list-style-type: none">None

New Commercial Framework

Uniform Network Code

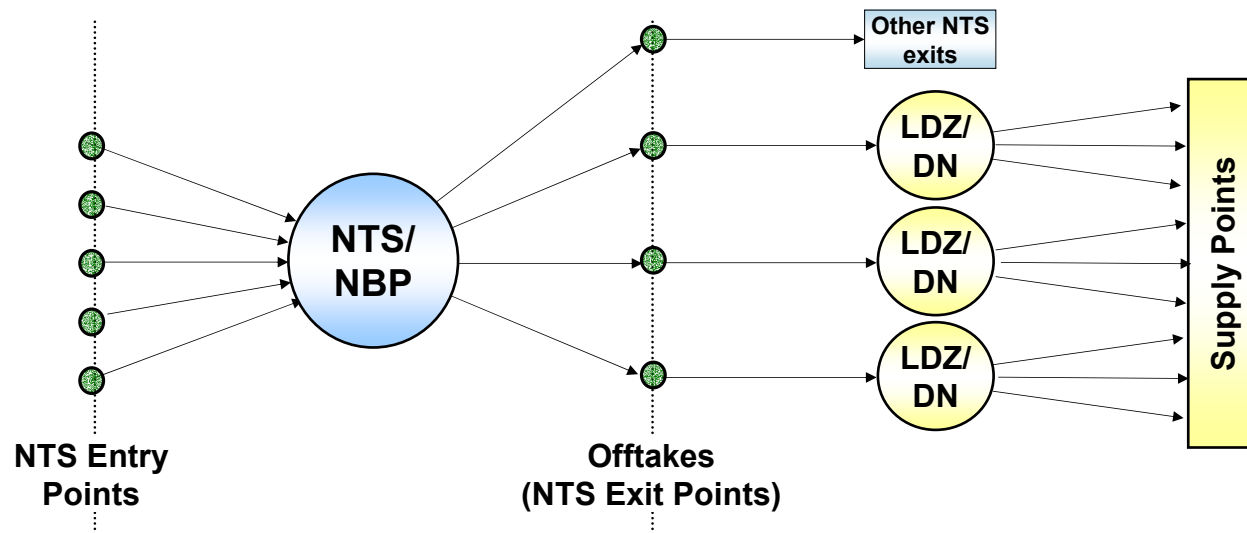
- Maintain existing framework and “through-ticketing” concept
- Assign rights and obligations of the multiple transporters

Offtake Code

- Deals with transporter/ transporter interface

Agency

- Deals with transporter/ shipper interface



Transportation Revenues	Entry Capacity Charges	NTS Commodity Charges	NTS Exit Capacity Charges	LDZ Capacity Charges LDZ Commodity Charges Customer Charges
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Energy Settlement	Entry Allocations	Daily Imbalances	Exit Allocations	Reconciliation
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