












UNC Modification	At what stage is this document in the process?
<h1>UNC 0671:</h1> <h2>Relief from User Commitment obligations when NTS exit capacity substitution is permitted</h2>	<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>Purpose of Modification:</p> <p>This Modification proposes changes to the User Commitment obligations in TPD Section B to improve the efficiency of NTS Firm Exit Capacity bookings.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> assessed by a Workgroup. <p>This modification will be presented by the Proposer to the Panel on 18 October 2018. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact:</p> <p>Transporters</p>
	<p>Medium Impact:</p> <p>Here</p>
	<p>Low Impact:</p> <p>NTS Users, Customers</p>

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Timetable		 0121 288 2107
The Proposer recommends the following timetable:		Contact: Joint Office of Gas Transporters
Initial consideration by Workgroup	01 November 2018	enquiries@gasgovernance.co.uk
Workgroup Report presented to Panel	21 February 2019	 07854 550 962
Draft Modification Report issued for consultation	21 February 2019	Proposer: Bethan Winter
Consultation Close-out for representations	14 March 2019	
Final Modification Report available for Panel	19 March 2019 (short notice)	Bethan.Winter@wwutilities.co.uk
Modification Panel decision	21 March 2019	 029 2027 8552 07812 973337
		Transporter: Wales & West Utilities
		
		Richard.Pomroy@wwutilities.co.uk
		Systems Provider: Xoserve
		
		commercial.enquiries@xoserve.com

1 Summary

What

Under the current requirements of TPD Section B any increase to Flat Capacity at any National Transmission System (NTS) Exit Point results in the application of a 4-year user commitment period during which time the new level of capacity has to be booked and paid for at a price set per exit point. It is understood that the NTS exit capacity prices reflect the cost of transporting gas to those exit points and as such that booking at cheaper offtakes would increase the efficiency of the NTS and potentially lower Carbon emissions from reduced use of its compressors. NTS Exit Prices are reset for every gas year (01 October Y to 01 October Y+1).

In many cases Gas Distribution Networks (GDNs) operate integrated networks within the Local Distribution Zones that can be fed from 2 or more NTS Exit Points and analysis is carried out to optimise the booking of flat capacity from the NTS offtakes. Optimisation can be carried out relative to a number of factors including costs and/or storage.

The current rules around User Commitment mean that moving capacity (which has already met the requirements of any User Commitment at the original point) would then incur User Commitment for an additional 4 years at the new point, despite the fact that capacity is released at the original source for use by other users. This means there is a deterrent against moving capacity to offtakes with lower associated costs for the NTS and this increases the costs for GDN customers.

Why

The current Use Commitment arrangements restrict the ability of GDNs to move capacity in response to NTS pricing signals on an annual basis. This may lead to reduced efficiency on the NTS and higher charges for the GDN and its Users.

How

Arrangements regarding User Commitments relating to NTS Exit Capacity are changed so that capacity can be moved between GDN/LDZ/Users without incurring additional User Commitment where the increased level does not require additional NTS investment. The baseline at the 'donor' point will reduce by the same amount as is moved.

2 Governance

Justification for Authority Direction

This modification should be subject to Authority Direction as it is likely to have a material effect on commercial activities associated with the transmission of gas through pipes (Self Governance criterion bb) because GDNs will be more able to respond to price differences for NTS Firm Exit Capacity at offtakes. This will enable DNOs to optimise the management of their system and respond to the changing needs of customers (such as flexible generation and biomethane producers) as well as

minimising the cost of NTS Firm Exit Capacity. Consequently, this modification is also likely to have a material effect on the operation of one or more pipeline systems (Self Governance criterion cc) because if DNOs can make changes in how the gas flows round its integrated networks it provides more flexibility in meeting the needs of the growing number of flexible generation and biomethane plants.

Requested Next Steps

This modification should:

- be assessed by a Workgroup.

The benefits of this change can be realised in the 2019/20 planning process if implemented by 01 July 2019; however, it would be desirable if it were implemented in advance of this date, so the Modification timetable has been set with a view to implementing by 01 June 2019. This timetable will allow four transmission Workgroup meetings and submission of a draft modification report to the February Modification Panel.

3 Why Change?

The current rules around User Commitment mean that moving capacity (which has already met the requirements of any User Commitment at the original point) would then incur User Commitment for an additional 4 years at the new point, despite the fact that capacity is released at the original source for use by other Users. This means that even where DNOs can revise their operating strategy to take gas from Offtakes with lower NTS prices there is a deterrent against moving capacity. This is likely to result in reduced ability for DNOs to respond to price signals from the NTS and reduced ability to change flow patterns on DNO systems to support the requirements of DNO customers.

Revised arrangements that allow DNOs to move capacity between their offtakes without incurring additional User Commitment (where the new levels don't necessitate NTS investment) would improve the process by which DNOs can optimise their bookings. This should mean that more bookings are moved away from NTS Exit Points with higher NTS prices for Firm Exit Capacity to NTS Exit Points with lower NTS Firm Exit Capacity prices thus lowering costs for DN consumers and also enabling DNOs to better meet their customers' requirements.

DNOs need to purchase Firm Exit Capacity as they need to be certain that they have enough exit capacity to meet a 1 in 20 demand which is a requirement of their Safety Case. For this reason, they cannot use non-firm capacity to meet these requirements.

The detail of User Commitment and Substitution arrangements are in the NTS documents listed in Section 4 below. These documents are produced under NTS licence obligations and DNOs and Shippers have no rights to raise change proposals and can only respond to consultations. WWU raised this issue in its response to the May 2017 consultation on the Exit Capacity Release Methodology and stated that it was considering raising a UNC modification. The documents state that where there is a conflict between them and the UNC then the UNC takes precedence so raising a UNC modification is an effective way of proposing a change.

4 Code Specific Matters

Reference Documents

Section B:

<http://www.gasgovernance.co.uk/sites/default/files/TPD%20Section%20B%20-%20System%20Use%20&%20Capacity%2052.pdf>

Exit Capacity Release Methodology:

<https://www.nationalgridgas.com/sites/gas/files/documents/Exit%20Capacity%20Release%20Methodology%20Statement%20%28Approved%29%20v12.0-%20Effective%2031%20July%202017.pdf>

Exit Capacity Substitution Methodology:

<https://www.nationalgridgas.com/sites/gas/files/documents/Exit%20Capacity%20Substitution%20Methodology%20Statement%20%28Approved%29%20v7.0-%20Effective%2031%20July%202017.pdf>

Knowledge/Skills

Knowledge of NTS processes for exit capacity.

5 Solution

Amend Transportation Principal Document Section B to:

Allow DNOs and Users to move capacity between NTS offtakes without incurring additional User Commitment (where the new levels don't necessitate investment in NTS incremental exit capacity).

Amend the base line capacity at the donor offtake so that it falls by the same amount as is moved to the recipient offtake.

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No.

Consumer Impacts

There will be indirect impacts on consumers on GDN networks as they will benefit from any reduction in the costs of NTS exit capacity and some consumers will directly benefit in cases where the DNO can adjust flows to enable them to better meet customer requirements.

Cross Code Impacts

None

EU Code Impacts

None

Central Systems Impacts

Impacts to be confirmed but WWU's initial view is that there would be none as the proposed changes would not change the outputs from the planning process which are prices for NTS exit flat capacity. All that would change is the process, in that it would now include a process by which capacity could be moved between NTS offtakes in certain circumstances.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
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.	Positive
c) Efficient discharge of the licensee's obligations.	None
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.	None
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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Demonstration of how the Relevant Objectives are furthered inserted here.

This proposal furthers relevant objective (b) by encouraging response to price signals from NTS that should reduce costs for DNOs. It will also allow DNOs which have integrated systems to adjust flows from the NTS to enable them to better facilitate their customers' requirements especially from flexible electricity generation plants and green gas production facilities.

8 Implementation

WWU would like this modification to be implement by 01 July 2019 so that it can be used in the process for setting NTS capacity for 01 October 2019.

For implementation on 01 June 2019 an Authority direction to implement must be made by 30 April 2019.
For implementation on 01 July 2019 an Authority direction to implement must be made by 29 May 2019.
For an Authority direction received after 29 May 2019 implementation would be 01 October 2019.

9 Legal Text

Text Commentary

To be provided

Text

To be provided

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply
- Refer this proposal to a Workgroup for assessment.