













UNC Draft Modification Report		At what stage is this document in the process?
<h1>UNC 0752:</h1> <h2>Introduction of Weekly NTS Entry Capacity Auctions</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
Purpose of Modification: To introduce Weekly NTS Entry Capacity Auctions to allow for more economic and efficient capacity bookings.		
	<p>This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this modification.</p> <p>The close-out date for responses is 11 May 2021, which should be sent to enquiries@gasgovernance.co.uk. A response template, which you may wish to use, is at www.gasgovernance.co.uk/0752.</p> <p>The Panel will consider the responses and agree whether or not this modification should be made.</p>	
	<p>High Impact:</p> <p>None</p>	
	<p>Medium Impact:</p> <p>National Grid NTS</p>	
	<p>Low Impact:</p> <p>Shippers</p>	

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Timetable		
Modification timetable:		 0121 288 2107
Initial consideration by Workgroup	02 February 2021	Proposer: Adam Bates, South Hook Gas Company Ltd
Workgroup Report presented to Panel	15 April 2021	 enquiries@gasgovernance.co.uk
Draft Modification Report issued for consultation	16 April 2021	 07787524566
Consultation Close-out for representations	11 May 2021	Transporter: Darren Lond, National Grid
Final Modification Report available for Panel	13 May 2021	 darren.lond@nationalgrid.com
Modification Panel decision	20 May 2021	 07769 724 892
		Systems Provider: Xoserve
		 UKLink@xoserve.com

1 Summary

What

Under the “ticket to ride” principle that underpins the GB capacity regime, Shippers are required to book a unit of National Transmission System (NTS) Entry Capacity (via one of the auctions prescribed within Uniform Network Code (UNC) Transporter Principals Document (TPD) Section B) for every unit of gas entered onto the NTS.

Under the current arrangements, only monthly or quarterly products are available outside of the daily product which restricts Shippers ability to book capacity efficiently where they:

- a) cannot rely on the Daily System Entry Capacity auctions because of the potential withholding of capacity by National Grid because of a constraint; or
- b) want to purchase capacity ahead of the Gas Day for planning purposes.

Why

Any inefficient capacity bookings made by Shippers not only unnecessarily increase their overall cost of acquiring capacity but also restrict the amount of capacity available at the daily auctions for other Shippers.

The cost associated with these inefficient bookings has recently been increased by the implementation of UNC Modification 0678A - Amendments to Gas Transmission Charging Regime (Postage Stamp), which removed the commodity charge element (only payable on flows) and at all Entry Points increases the reserve price applicable to any capacity bookings.

How

This Modification seeks to implement a Weekly NTS Entry Capacity auction which allows Shippers an additional opportunity to book capacity more efficiently, outside of the current Monthly, Daily and Daily Interruptible products.

This proposed Weekly NTS Entry Capacity auction will run independently of the current NTS Entry Capacity auctions and is not intended to have any adverse impacts on the current auctions.

2 Governance

Justification for Self-Governance

Application of Self-Governance is sought because the changes proposed are unlikely to have an adverse effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes.

The Modification is unlikely to discriminate between different classes of parties to the UNC or Gas Shippers due to the changes having the same impact on UNC parties as per the current rules for NTS Entry Capacity Auctions.

Requested Next Steps

This Modification should:

- be considered a non-material change and subject to Self-Governance.
- be assessed by a Workgroup.

3 Why Change?

Introduction

NTS Entry Capacity is required to be purchased¹ to allow a Shipper to enter gas onto the NTS and is made available through various NTS Entry Capacity auctions, which are prescribed within UNC TPD Section B2 (summarised within Table 1).

Following the implementation of UNC Modification 0678A², which changed the charging methodology associated with NTS Capacity, it is widely acknowledged that Shippers are now incentivised to book capacity more efficiently, whereby their capacity bookings will better reflect their anticipated gas flows.

Currently, only quarterly, monthly, and daily NTS Entry Capacity products are available, which is not necessarily reflective of how gas is traded and subsequently flowed onto the NTS, especially for flexible assets such as LNG Terminals and Storage. Therefore, if a Shipper has expected gas flows which are not rateable across a quarterly or monthly strip, they are required to rely on either the Daily System Capacity auction or book capacity in the Quarterly / Monthly System Capacity auctions, which leads to additional costs of acquiring NTS Entry Capacity versus that which should be required.

Table 1: Summary of NTS Entry Capacity Auctions

Capacity Product	Product	Timeline	Capacity offered
Quarterly (QSEC)	Flat quarterly strips	Q+2 to Q+64	<ul style="list-style-type: none"> 90% of Obligated Baseline minus sold Firm NTS Entry Capacity
Annual Monthly (AMSEC)	Flat monthly strips	M+2 to M+20	<ul style="list-style-type: none"> Obligated baseline minus solid Firm NTS Entry Capacity
Monthly (RMTNTSEC)	Flat monthly strips	M+1	<ul style="list-style-type: none"> Obligated baseline minus sold Firm NTS Entry Capacity
Daily (DSEC)	Daily	D+1 / D	<ul style="list-style-type: none"> Obligated baseline minus sold Firm NTS Entry Capacity Quantity may be withheld should NGG foresee a capacity constraint
Daily Interruptible (DISE)	Daily	D+1 / D	<ul style="list-style-type: none"> Use It or Lose It quantity

¹ Where a Shipper's flow exceeds their entry capacity entitlement, they will become subject to overrun charges as per UNC TPD Section B2.12

² <https://www.gasgovernance.co.uk/0678>

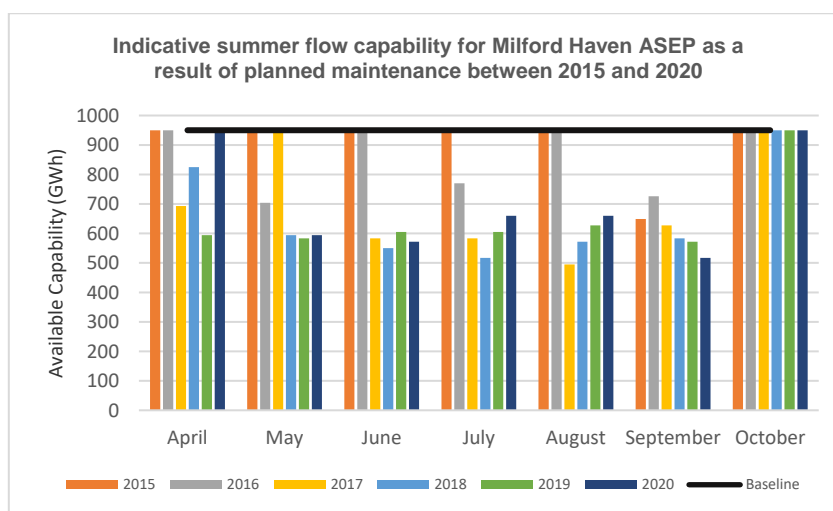
Daily (DSEC) and Monthly (MSEC) System Entry Capacity Auctions

Whilst the DSEC Auction allows for capacity to be booked at the day ahead or within-day stage, thus allowing capacity to be booked efficiently to reflect flows, National Grid may withhold capacity from sale at the relevant Aggregated System Entry Point (ASEP) should it foresee a capacity constraint occurring³. We understand that National Grid does not in the ordinary course notify the market of any potential scale backs ahead of time.

Whilst withholding NTS capacity for unplanned maintenance and outages is naturally unpredictable, constraints can occur because of planned maintenance on the NTS. National Grid publishes the indicative flow capabilities for all NTS Entry Points within their Maintenance Plans; however, these are aggregated to a monthly figure, despite the reductions potentially only being for a single day. This low level of granularity makes it very difficult to rely on the DSEC auctions for certain Entry Points that have significant amounts of planned maintenance. It is worth noting that there are no commercial remedies available from National Grid for a constraint where capacity has not been purchased.

Figure 1 shows the indicative summer flow capability levels at Milford Haven ASEP because of planned maintenance contained within the Summer Maintenance plans between 2015 and 2020 (inclusive). The maintenance plan shows significant levels of capacity reductions at Milford Haven ASEP versus the baseline in numerous months over multiple years, therefore highlighting the uncertainties of relying on DSEC Auctions and the potential risk of capacity being withheld as a result.

Figure 1



Source: National Grid Summer Maintenance Plans; 2015 to 2020

As a result, Shippers at those NTS Entry Points which are at risk of having DSEC withheld are likely to be pushed to rely on the MSEC auctions to ensure the capacity is acquired. Whilst this may be acceptable for a Shipper which has a monthly rateable send out, it is not attractive for Shippers at flexible assets, such as LNG Terminals, where gas can be traded outside of monthly strips and may result in inefficient and excessive capacity bookings which reduce both the competitiveness and attractiveness of the relevant Entry Points. In addition, there is a risk that having a reliance on MSEC auctions will lead to a reduction in flexibility at these Entry Points, due to the

³ As per Paragraph 73 of the Entry Capacity Release Methodology Statement: <https://www.nationalgrid.com/uk/gas-transmission/document/128001/download>

high cost of buying additional Entry Capacity to accommodate any flexibility which would increase the unit cost of delivering a therm of gas at those Entry Points.

Implications

To mitigate against the inefficient booking and increased costs of acquiring NTS Entry Capacity at the MSEC auction, this Modification seeks to supplement UNC TPD Section B2 by introducing a new Weekly NTS Entry Capacity auction. This would:

- a) Allow Shippers to book capacity more accurately to reflect their flows onto the NTS; and
- b) Increase the amount of DSEC capacity made available.

This product would be available to all NTS Entry Points which within the scope of the current NTS Entry Capacity auctions as prescribed within UNC TPD Section B2.

There are no resultant impacts on the current NTS Entry Capacity auctions contained within UNC.

4 Code Specific Matters

Reference Documents

UNC TPD Section B: https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2020-12/4%20TPD%20Section%20B%20-%20System%20Use%20%26%20Capacity_0.pdf

Entry Capacity Release Methodology Statement:

https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2020-12/4%20TPD%20Section%20B%20-%20System%20Use%20%26%20Capacity_0.pdf

National Grid Summer Maintenance Plans (landing page): <https://www.nationalgrid.com/uk/gas-transmission/data-and-operations/maintenance>

National Grid Gas Transmission Capacity Guidelines document:

https://www.nationalgrid.com/sites/default/files/documents/45759-Capacity%20Guidance%20Doc_v1_0-140616.pdf

Knowledge/Skills

No additional knowledge or skills required.

5 Solution

For this Modification to be implemented the provisions for a Weekly NTS Entry Capacity Auction would need to be included within UNC TPD Section B, including:

- The capacity available at the Weekly NTS Entry Capacity auction is:
 - Unsold NTS Entry Capacity (if any); plus
 - Incremental NTS Entry Capacity (if any).
- The Weekly NTS Entry Capacity auction would take place between 08:00 and 17:00 at D-10 (where D is the first gas day of the weekly period, being a Monday).

- The Weekly NTS Entry Capacity would be allocated by D-9. For the avoidance of doubt, this allocation needs to be completed before the opening of the DSEC window at D-7.
- Where a weekly period crosses two Gas Years, then the prevailing price on each relevant day will be used. For example, week commencing 27th September 2021 crosses the 2020/21 and 2021/22 Gas Year. In this example, 27th, 28th, 29th and 30th September would be charged at the 2020/21 reserve price whilst the 1st, 2nd and 3rd October would be charged at the 2021/22 reserve price. Where a weekly period does cross two Gas Years then National Grid will notify Users within the weekly auction invitation. For the avoidance of doubt, the weekly auction invitation will be issued no later than 5 business days before the auction date.
- For the avoidance of doubt, the same reserve prices will be applied as for other products, upon implementation the prevailing Reserve Price and a Duration Multiplier of one (1) (as defined prescribed within the UNC TPD Section Y for the current NTS Auctions) will be applied to the Weekly NTS Entry Capacity Auctions.
- For the avoidance of doubt, the amendments to the UNC as proposed in this Modification shall not be applicable to interconnection points ("IPs"). The revised CAM Regulation (as retained in UK law in accordance with the European Union (Withdrawal) Act 2018 and amended by the Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations 2019) governs the offering of capacity products at UK IPs. A weekly capacity product is not envisaged by the CAM Regulation. In order to permit the offering at IPs of weekly capacity products, the CAM Regulation would need to be amended, which would be a legislative process; authorising the offering of this new product at IPs is beyond the permitted scope of the UNC and therefore would not be achievable through a modification to the UNC. While the Modification may therefore result in differences between capacity products offered at IPs and non-IP entry, this is reflective of the extent of the amendments that can be made by way of UNC amendment.

6 Impacts & Other Considerations

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

No Significant Code Review or significant industry change will be impacted by this Modification.

Cross Code Impacts

None identified.

EU Code Impacts

None

Central Systems Impacts

It is anticipated that there will be System Impacts in the implementation of a Weekly NTS Entry Capacity Auction.

Workgroup Impact Assessment

04 March 2021

TAR NC⁴ compliance

National Grid has an obligation to publish prices in May for the beginning of each new Gas Year in October. Workgroup Participants wished to understand the effect of this Modification on this year's prices (TAR NC Art. 29).

The Proposer believed that National Grid has decided to publish all prices at the same time – prior to the Interconnector auctions. He believed this is not obligated in TAR NC, so for example domestic prices could be published separately to the interconnector prices. Introduction of this new product as a result of this Modification should not impact the timing of publication of prices. The Modification does not impact the FCC.

National Grid requested that this timing aspect should be included within the solution.

The Ofgem representative at Workgroup was asked if they had a view on this aspect. Their response was to potentially consider offline liaison with the Proposer and potentially in between Workgroups.

01 April 2021

The Ofgem representative present at the Workgroup confirmed offline discussions had taken place and referred to Ofgem's Modification 0728 decision amongst other decisions.

The Proposer confirmed he had taken Ofgem's comments into account and added TAR NC Art 29 refers to publication of prices relates to IPs, but since this Modification does not apply to IPs, the view of the Proposer is that this Modification is compliant in this respect.

National Grid confirmed that the charging methodology is set up to calculate all charges at the same time. Following on from this and taking into account the Proposer's view that the amount of capacity is not affected, the methodology will still fit with the current UNC Section Y process. The Proposer's view is that FCC is not affected, and no new prices will be required to be calculated for this new auction.

National Grid agreed with the Proposer that the FCC will not be affected since it refers to the historical situation.

Some Workgroup Participants agreed. The price will not be changed through implementation of this Modification. The change is that there is another opportunity to buy capacity closer to delivery, when better quality forecasts are available.

Charging Relevant Objectives

01 April 2021

Workgroup Participants agreed with the Proposer that this Modification introduces a new capacity product which uses the existing charging methodology to determine prices, therefore consideration of the Charging Relevant Objectives is not applicable.

A week spanning two Gas Years

On 04 March 2021 National Grid requested clarification from the Proposer for any week which spans two Gas Years - what would be the price effect and there was a request for this be clarified in the solution of the Modification.

Three options were outlined by the Proposer:

1. Suspend any auction that spans 2 Gas Years
2. Take the price from the preceding Gas Year (this appeared to be preferred as a pragmatic approach)

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R0460>

3. Have pricing split for that week according to which Gas Year each day is in.

The Proposer preferred whichever has simplest system aspects. There was a question to be considered offline: Is the calculation done on a daily basis in the system?

The Xoserve representative confirmed that charges are calculated based on the transaction period. (E.g. monthly price x number of days in that month). This may lend itself to Option 2.

01 April 2021

Workgroup noted that in v3.0 of the amended Modification 0752 dated 26 March 2021, the Proposer has added clarification of what will happen during any week spanning two Gas Years and has utilised Option 3 above.

The Proposer clarified that Option 3 was chosen because Option 2 was previously considered on the basis that billing was assumed to be done on a weekly basis. However, it was clarified that billing can be facilitated on a daily basis so therefore Option 3 was considered to be both feasible and more fair.

Publication of Prices

01 April 2021

The Proposer and National Grid clarified that publication of prices will be in accordance with UNC Section Y 1.3.2. j). This means that if an implementation decision is made on or after 01 August 2021 then National Grid will publish the reserve price for this new auction in accordance with National Grid Special Licence Condition A11(18).

Interruptible Capacity effect

04 March 2021

In terms of 'Use-It-Or-Lose-It' capacity, also known as 'UIOLI', National Grid confirmed that the amount of interruptible capacity available for release is not limited; the quantity of capacity not used is part of the determination as to how much interruptible capacity can be released.

A Workgroup Participant made a general observation that if some bookings move away from monthly capacity bookings to weekly bookings, the amount of Interruptible capacity available (through the effect on UIOLI - an anti-hoarding mechanism) may reduce. With the interruptible discount this means that there could be less capacity available at this discounted rate.

Governance

01 April 2021

Workgroup Participants considered whether the Modification should be subject to Self-Governance. Referring to Panel discussions on the Modification from UNC Panel January 2021⁵ Workgroup considered three areas:

- Introduction of a new product
- Applicability of Charging Relevant Objectives
- Compliance with TAR NC.

Workgroup had already discussed the latter two bullets above (on page 8) and then turned their attention to the new product question.

Introduction of a new product

⁵ <https://www.gasgovernance.co.uk/panel/210121>

Workgroup considered the Self-Governance criteria as published by Ofgem in 2016⁶. Workgroup Participants agreed that though this Modification introduces a new capacity product, it does not introduce any new prices. The existing charging methodology will be used as is currently the case to calculate prices.

Workgroup Participants discussed the costs associated with this Modification. The costs to be considered appear to only be the system change costs (£280-350,000) and the costs to National Grid to introduce the auction. These costs are borne by National Grid as part of Allowed Revenue. These costs need to be considered against the potential benefits of the Modification. The benefits of this Modification are such that they appear to positively impact Relevant Objective d) (competition).

The Proposer reiterated their strong belief that this Modification does not warrant Authority Direction as it does not meet the criteria laid out by the Authority for this purpose.

Therefore, those Workgroup Participants who expressed their view at Workgroup agreed that this Modification satisfies the Self-Governance criteria.

Consumer Impacts

The Proposer's view is that implementing a Weekly NTS Entry Capacity Auction is likely to reduce the cost of delivering gas onto the NTS by allowing Shippers to book capacity more efficiently. This has the potential to improve the attractiveness of GB for imported gas, therefore providing Security of Supply benefits for consumers.

Workgroup completed the following table on 04 March 2021:

Consumer Impact Assessment (Workgroup assessment of proposer initial view or subsequent information)	
Criteria	Extent of Impact
Which Consumer groups are affected?	Potentially all consumers could be impacted.
What costs or benefits will pass through to them?	More efficient bookings lead to lower costs to bring gas onto the system, and this should lead to lower prices at the NBP. In turn this should mean a price benefit for consumers, assuming the savings are passed through (which will depend somewhat on the contracts in place).
When will these costs/benefits impact upon consumers?	Upon implementation of the Modification.
Are there any other Consumer Impacts?	Increased benefit to Security of Supply from more favourable conditions for LNG Entry into the GB market.
General Market Assumptions as at December 2016 (to underpin the Costs analysis)	
Number of Domestic consumers	21 million
Number of non-domestic consumers <73,200 kWh/annum	500,000
Number of consumers between 73,200 and 732,000 kWh/annum	250,000
Number of very large consumers >732,000 kWh/annum	26,000

⁶ Authority Direction/Self Governance Materiality Guidance <https://www.gasgovernance.co.uk/mods>

Rough Order of Magnitude (ROM) Assessment

Cost estimate from CDSP	£280,000 - £350,000
Timescale estimate	20 to 22 weeks

Workgroup noted that the ROM submitted (which can be found here: <https://www.gasgovernance.co.uk/0752>) contained additional requirements that are not stated in the Modification itself therefore a revised ROM will be required. However, Workgroup Participants heard from Correla representing Xoserve that the likelihood was that removal of these aspects would not upwardly impact the cost nor the timeline for delivery.

Workgroup Participants noted that Xoserve have an obligation to give a minimum of 6 months' notice for any system change that has an external impact. The current assumption is that new charge types⁷ would be needed for the weekly auction product and therefore file format changes would be required. The current timescales in the ROM combined with the desired delivery would mean 6 months could not be met. This would need to be agreed at DSC Change Management Committee.

Outstanding Actions

Workgroup noted that a Workgroup Report would be submitted to the April UNC Panel. In addition, the Proposer will submit a final amended Modification (v4.0) on 01 April 2021 which will:

- Clarify that National Grid will state where a week goes across two GYs, and will include this when it sends out the invitation to participate in the auction (this change will be in the solutions section of the Modification)
- Clarify that the intention is that the Modification should be implemented as soon as possible and that the implementation does not need to wait for the start of a Gas Year (this change will be in the implementation section of the Modification).

Workgroup noted that the ROM submitted contained additional requirements that are not stated in the Modification itself therefore a revised ROM will be required. However, Workgroup Participants heard from Correla representing Xoserve that the likelihood was that removal of these aspects would not upwardly impact the cost nor the timeline for delivery.

As of 01 April 2021, Legal Text has not yet been fully drafted and Workgroup has not yet seen the text to comment upon it. The Proposer and the Legal Text provider, National Grid will check the Legal Text once provided and it will be published alongside the Modification here <https://www.gasgovernance.co.uk/0752>.

The assumption is that Legal Text will be available in time for Panel Consideration on 15 April 2021. Further, Workgroup noted that the Legal Text must be available in order for the Modification to be sent out for consultation.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

⁷ The new charge type relates to Xoserve system documentation and relates to the invoicing file format. This does not impact the charging methodology nor the reserve price calculations.

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
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.	None
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.	Positive
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

Proposer consideration of Relevant Objectives

Relevant Objective a)

This proposal furthers Relevant Objective (a) as implementing a Weekly NTS Entry Capacity auction will provide Shippers with an additional opportunity to efficiently purchase capacity that better reflects their anticipated gas flows. This will enable National Grid NTS to commercially plan, operate and manage the NTS, therefore facilitating the efficient and economic operation of the NTS.

Relevant Objective d)

This proposal furthers Relevant Objective (d) by allowing Shippers to book NTS Entry Capacity that better reflects their anticipated gas flows (versus the current RMTNTSEC auction). This will reduce the cost of acquiring unwanted NTS Entry Capacity, especially for flexible assets (such as LNG terminals and Storage) and provide security of supply benefits. In turn, reducing the unit cost of supply at those Entry Points which are currently purchasing monthly products will facilitate competition among Shippers and potentially reduce the cost of gas to consumers. The implementation of a Weekly NTS Entry Capacity product also increase the capacity available at DSEC.

Workgroup consideration of Relevant Objectives

Relevant Objective a)

Several Workgroup Participants agreed with the Proposer.

Other Workgroup Participants voiced concern in terms of a negative impact on Relevant Objective a).

Relevant Objective d)

On 04 March 2021 a Workgroup Participant noted that the changes may impact revenue to National Grid which could have an impact on competition (Relevant Objective d).

The Proposer responded that the behavioural changes to bookings are difficult to predict and there could be increases or decreases in revenue associated with this. The Modification is looking to ensure Users can book at a level which better reflects their actual requirements.

On 01 April 2021 some Workgroup Participants considered that the benefits of introducing this Modification are such that they are likely to have a positive impact on competition, thus furthering Relevant Objective d).

8 Implementation

The Modification should be implemented as soon as reasonably possible and is not required to be implemented at the start of a Gas Year.

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

9 Legal Text

As of 01 April 2021, Legal Text has not yet been fully drafted and Workgroup has not yet seen the text to comment upon it. The Proposer and the Legal Text provider will check the Legal Text once provided and it will be published alongside the Modification here: <https://www.gasgovernance.co.uk/0752>.

Text Commentary

To be provided by Transporter.

Text

To be provided by Transporter.

10 Recommendations

Panel's Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this Modification.

Panel have also asked respondents to:

1. Consider if this Modification is suitable for self-governance procedures?