














UNC Workgroup Report	At what stage is this document in the process?
<h1>UNC 0755:</h1> <h2>Enhancement of Exit Capacity Assignments</h2>	<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p><b>Purpose of Modification:</b></p> <p>Enhancement of the existing Exit Capacity Assignment arrangements to enable Network Users to transfer, in full or in part, both the Capacity and associated Liability at an Exit Point.</p>	
	<p>The Workgroup recommends that this modification should be subject to self-governance</p> <p>The Panel will consider this Workgroup Report on <b>17 June 2021</b>. The Panel will consider the recommendations and determine the appropriate next steps.</p>
	<p>High Impact:</p> <p>None</p>
	<p>Medium Impact:</p> <p>NTS Users</p>
	<p>Low Impact:</p> <p>None</p>

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Timetable		 07971500855
<b>Modification timetable:</b>		 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
Pre-modification Discussion	03 December 2020 & 07 January 2021	 0121 288 2107
Modification considered by Panel	18 February 2021	Proposer: <b>Daniel Hisgett</b> <b>National Grid</b>
Initial Consideration by Workgroups	04 March 2021	 <a href="mailto:daniel.hisgett@nationalgrid.com">daniel.hisgett@nationalgrid.com</a>
Workgroup Report presented to Panel	17 June 2021	 telephone
Draft Modification Report issued for consultation	18 June 2021	Transporter: <b>National Grid</b>
Consultation Close-out for representations	08 July 2021	 <a href="mailto:box.gsoconsultations@nationalgrid.com">box.gsoconsultations@nationalgrid.com</a>
Final Modification Report available for Panel	12 July 2021	 telephone
Modification Panel decision	15 July 2021 (at short notice and agreement by Panel)	Systems Provider: <b>Xoserve</b>
		 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>

## 1 Summary

### What

The UNC currently allows for full assignment of Capacity and liability between Users at an Exit Point. This Modification proposes to enhance the current Assignment offering by providing the ability to assign Capacity at Exit Points both in full and in part.

### Why

Enhancing Exit Capacity Assignments gives Users an enhanced level of flexibility, and reduces the risks associated with booking longer term Capacity. Users are currently able to trade Capacity on the secondary market which enables them to more accurately match their Capacity holdings to their expected flows. However, this puts an administrative burden on the original Capacity holder in setting up the initial arrangement and in ongoing invoicing and payment management which could be a barrier to some Users. The ability to assign partial volumes would also benefit incoming Users who could arrange to take on long-term liabilities rather than relying on the short-term markets to fulfil their obligations to customers.

### How

Enhancements to the Gemini system will provide Users with the ability to assign Exit Capacity and liability in part rather than just being able to transfer Capacity in full as is currently allowed. Updates to the Uniform Network Code (UNC) and the Exit Capacity Release Methodology Statement will be required to facilitate this.

Users will be able to assign Capacity and liability in the auction types in which they were purchased, i.e. annual or enduring, depending on the make-up of their Capacity portfolios as they are currently and Users will now be able to assign any volume within that auction purchase, consistent across the period defined, rather than on an all or nothing basis.

## 2 Governance

### Justification for Self-governance

Self-governance application is sought as this modification is unlikely to have a material, adverse effect on competition, it proposes an expansion of the existing Exit Assignment arrangements. The aim is to introduce functionality which will be available to all Users and therefore will not discriminate between different classes of parties to the UNC, will simplify processes and enhance User choice, thereby reducing administrative costs.

We do not believe that the proposed modification impacts any of the criteria for Authority Direction and so should default to Self-governance.

### 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?

Industry parties approached National Grid with a request to consider enhancing the existing Assignments arrangements for both Entry and Exit. A previous UNC Modification 0276 - Alternative User Pays approach to - UNC Modification Proposal 0263 Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity addressed the Exit issue and was approved but never implemented and changes in the User Pays arrangements proposed in that Modification mean that the original decision no longer fits with the solution. After the request from industry to further develop the Assignments product, National Grid felt it would be sensible to revisit the Exit Modification. Ofgem have advised that a new Modification would be required due to the difference in funding arrangements of the Gemini system related change.

While National Grid are not proposing to take the Entry Assignment proposal forward at this time, the benefits for enhancement of the Exit Assignments methodology, laid out in Modification 0276, still apply in today's market. The enhanced flexibility of a partial assignment arrangement will benefit new and existing Users.

The current arrangements for transfer of Capacity between Users requires the setup of payment and invoicing arrangements between the two Shippers, with initial costs to set up the agreement and monthly invoicing costs. Should a Shipper default on this arrangement, legal fees would also be incurred. The assignment of that Capacity ends the need for a third-party agreement as a new arrangement between National Grid and a second Shipper removes the liability from the original holder and keeps the associated risks with National Grid.

As both the Entry and Exit solutions would share a similar system design this Modification also provides a path for a future Entry Assignments product should a Modification be proposed.

### 4 Code Specific Matters

#### Reference Documents

Transportation Principle Document: Section B

[https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2020-10/4%20TPD%20Section%20B%20-%20System%20Use%20%26%20Capacity\\_0.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2020-10/4%20TPD%20Section%20B%20-%20System%20Use%20%26%20Capacity_0.pdf)

UNC Modification Proposal 0276

<https://www.gasgovernance.co.uk/0276>

Exit Capacity Release Methodology Statement

<https://www.nationalgrid.com/uk/gas-transmission/document/128006/download>

EU Tariff Code (Regulation 2017/460)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R0460>

### 5 Solution

Adjustments to the current paragraph 6 of UNC TPD Section B, which relates to the existing Exit Capacity Assignment arrangements will be required.

1. The text will allow Users to select a portion of their Annual NTS Exit (Flat) Capacity, which includes Enduring Annual NTS Exit (Flat) Capacity, and transfer both Capacity and associated liability to a second User.

2. The relevant proportion of User Commitment associated with the Capacity assigned, will also be assigned for the remainder of the User Commitment period. The Assignor will retain the remaining User Commitment, adjusted based on the assigned value.
3. Users will only be able to assign in the Capacity auction periods the Capacity was booked in, i.e. Annual and Enduring, but will be able to assign any volume, in whole units, from 1 kWh/day for the full period, up to the full booking.
4. The Capacity assignee will pay the published Exit Transmission Services rate applicable to the period being assigned.
5. The assignee would also pay any Exit Transmission Services Revenue Recovery Charges applicable to the Capacity and Period Assigned to them.
6. This functionality will be available at all Exit Points including DN Offtakes, Storage and Interconnectors, however any bundled Capacity would be excluded from this arrangement.
7. A partial assignment will not be permitted where it conflicts with any NTS Exit (Flat) Capacity Transfer\* (Trade) already in place and accepted by National Grid NTS.

## 6 Impacts & Other Considerations

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

This Modification has no impact of the Significant Code Review or any other significant industry change project.

### Consumer Impacts

Proposer's view:

No negative impacts should be felt by Users due to this enhancement.

Capacity Assignors will benefit from a reduction in the administrative processes currently involved with transfer of Capacity while retaining the liability, and a lowering in their credit requirements, reducing the risks associated with booking long term Capacity.

Assignees will be able to take direct advantage of any appropriate Entry Transmission Services rate discounts applicable to the Exit Point, for example the Storage discount, due holding both the Capacity and the liability.

Overall consumers should not feel any significant impact due to this change.

#### Consumer Impact Assessment

*(Workgroup assessment)*

##### Criteria

##### Extent of Impact

Which Consumer groups are affected?

Large / Very large consumers (NTS direct connects)

What costs or benefits will pass through to them?	Avoiding the need for a contractual path (reducing administration/bureaucracy) to deal with this issue of assignment should save the Shipper; these avoided costs should eventually be passed along to customers and eventually consumers. It should be beneficial for customers directly in terms of a reduction in their own administration process.
When will these costs/benefits impact upon consumers?	Upon implementation.
Are there any other Consumer Impacts?	None
<b>General Market Assumptions as at December 2016 (to underpin the Costs analysis)</b>	
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

## EU Code Impacts

Proposer's view:

No changes are proposed which would impact EU codes.

It is intended to retain the current status quo, with no proposed changes to UNC TPD Section Y that would impact TAR NC compliance.

The exclusion of bundled Capacity at Interconnectors avoids any conflict with the CAM Code.

Workgroup Participants had nothing further to add.

## Central Systems Impacts

System enhancements will be required to the Gemini system to enable this solution.

The ROM outlines a project stand up time of approximately 3 months once prioritised, and an 18-22 week time scale to implement the required changes into systems. These changes are expected to cost in the region of £235k-£295k.

### Rough Order of Magnitude (ROM) Assessment (ROM date 07/04/21)

Cost estimate from CDSP	£235,000 - £295,000
Timeline	18 to 20 weeks (note that additional time of around 2-3 months needs to be allocated for the Change Proposal to proceed through the processes required by the CDSP for system change approval).

Workgroup Participants discussed the detail of the ROM on 06 May 2021. National Grid requested that Parties communicate either openly or on a more confidential basis as to the cost- benefit analysis for this Modification. Specific detail in terms of potential cost savings would be very helpful.

Some Workgroup Participants noted that in regard to 'shorthaul', transfer of capacity (assignment) will enable access to the charging arrangements associated with 'shorthaul'.

Some Workgroup Participants noted that in terms of storage there would be a benefit to all storage operators in being able to transfer/assign capacity in full. This would avoid a contractual path, which is necessary at the moment. Exact costs are difficult to quantify but these are recurring costs thus it would be more efficient and increase flexibility if this Modification were to be implemented.

A Workgroup Participant noted that directly connected sites (including CSEPs) would benefit from implementation of this Modification when changing Supplier; this Modification would enable the efficient transfer of capacity to the incoming Supplier/Shipper. This may have the effect of furthering competition (Relevant Objective d))

## Workgroup Impact Assessment

Workgroup Participants discussed the two Panel questions:

1. Does Modification 0755 apply to DNOs and Shippers or just Shippers?
2. Does Modification 0755 have any Cross Code impact?

### Does Modification 0755 apply to DNOs and Shippers or just Shippers?

National Grid confirmed that, effectively, the process is only available to Shippers as there is no opportunity for DNOs to use the process because this is not appropriate for DNOs (they cannot assign the capacity to themselves). The two DN Workgroup Participants present at Workgroup on 06 May 2021 agreed with this statement.

### Does Modification 0755 have any Cross Code impact?

Workgroup Participants noted that the Joint Office has notified the IGT-UNC of a potential IGT-UNC impact regarding changes to TPD Section B paragraph 6.

Subsequent to the Workgroup meeting in June, it has been confirmed by the chair of IGT UNC Modification Panel that, as far as can be established, an IGT UNC enabling Modification or mirror Modification will not be required.

### Analysis of impacts

Workgroup Participants agreed that any analysis for this Modification would be seen for Shippers/Direct Connect sites when the process is utilised. Administrative processes will be simplified rather than an ongoing operation requirement to manage the situation. Therefore, Opex and legal costs would potentially be saved. There is likely to be a simplification of administrative processes for National Grid, with opportunity for reduction of dormant accounts on Gemini.

Workgroup Participants briefly discussed whether the Modification would have a material impact and thus whether it may be suitable for Self-governance procedures and a review of the criteria for Self-governance was undertaken: Link to: [Self-governance criteria](#)

On 03 June 2021, Workgroup agreed that it seemed appropriate that Modification should convert to Self-governance procedures.

## 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.	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's view:

The Modification will allow Shippers another option when moving Capacity at an Exit Point. This should aid long-term profiling and reduce reliance on the short-term markets as well as reducing costs for Users overall.

Users would have more flexibility and confidence in the management of Registered NTS Exit (Flat) Capacity. In particular, it will allow Assignor Users the opportunity to assign Capacity within relatively short timescales to Assignee Users in response to end user customers' needs. Such needs are likely to arise at Interconnectors where an NTS User provides services to a number of downstream customers over different time periods.

In the event that an existing NTS User chooses to assign to another (incoming) NTS User the current rules do not allow the current (outgoing) User to assign a portion of its NTS Exit (Flat) Capacity to the incoming User to meet its and the customer's requirements (the current Shipper User may need to retain some NTS Exit (Flat) Capacity to meet the needs of its other customers). Consequently, incoming Shipper Users and their newly acquired customers need to rely on shorter-term NTS Exit (Flat) Capacity products (not guaranteed to be available) or plan years in advance to secure NTS Exit (Flat) Capacity. This change should enable more effective movement of Capacity between Users and reduce the costs to consumers.



Workgroup view:

On 06 May 2021 Workgroup Participants agreed in general with the views expressed above.

Some Workgroup Participant noted that this Modification will act to avoid the need for settlement or back office arrangements currently needed to support capacity trade or transfer; full assignment means that National Grid will invoice the Assignee only. Avoiding the need for a contractual path to deal with this issue should save the Shipper; these avoided costs should eventually be passed along to consumers.

## 8 Implementation

Initial discussions with industry requested a 01 October 2021 implementation date. All efforts were being made to try to achieve that, but based on early discussions with Xoserve, a Spring 2022 implementation was a more realistic timescale.

Following receipt of the ROM, a project stand-up time of approximately 3 months, once prioritised, followed by an 18-22 week time scale is required to implement these changes. Spring 2022 is still a possibility for implementation.

## 9 Legal Text

Legal Text has been provided by National Grid and is included below.

The Workgroup considered the Legal Text on 03 June 2021 and is satisfied that it meets the intent of the Solution.

### Commentary

The UNC currently allows for full assignment of Capacity and liability between Users at an Exit Point. This Modification proposes to enhance the current Assignment terms to allow a User to assign Capacity at an Exit Point both in full or in part. Updates to the UNC and the Exit Capacity Release Methodology Statement will be required to implement this proposed modification as well as enhancements to the Gemini system. Users will be able to assign Capacity and liability in the auction types in which they were purchased (i.e. annual or enduring) depending on the make-up of their Capacity portfolios and Users will be able to assign any volume within that auction purchase consistent across the period defined rather than on an "all or nothing" basis.

## Legal Text

Version 2.0 dated 02 June 2021

Uniform Network Code – TPD Section B paragraph 6 shall be amended to read as follows:

### 6 CAPACITY ASSIGNMENT

#### 6.1 Basis of assignment

6.1.1 A User (the "**Assignor User**") may assign all or part of its:

- (a) Registered Enduring Annual NTS Exit (Flat) Capacity in respect of an NTS Exit Point; and/or
  - (b) Registered Annual NTS Exit (Flat) Capacity in respect of an NTS Exit Point;
- (but not under the same System Capacity Assignment notification) to another User ("**Assignee User**") by a System Capacity Assignment.

6.1.2 For the purposes of the Code a "**System Capacity Assignment**" is an assignment of System Capacity in accordance with paragraph 6.1.1.

6.1.3 An Assignor User may not make a System Capacity Assignment where:

- (a) Assigned System Capacity comprising:
  - (i) Registered Enduring Annual NTS Exit (Flat) Capacity exceeds the remaining Registered Enduring Annual NTS Exit (Flat) Capacity; or
  - (ii) Registered Annual NTS Exit (Flat) Capacity exceeds the remaining Registered Annual NTS Exit (Flat) Capacity;on any Day in the Assignment Period at the Assignment System Point; and
- (b) Assigned System Capacity (which has been adjusted to take account of any deduction of any prior System Capacity Assignment of the same class) exceeds its Registered Net Capacity on any Day in the Assignment Period at the Assignment System Point.

6.1.4 In respect of a System Capacity Assignment or proposed System Capacity Assignment:

- (a) the "**Assigned System Capacity**" is the amount of (i) Registered Enduring Annual NTS Exit (Flat) Capacity or (ii) Registered Annual NTS Exit (Flat) Capacity which is (or is to be), in each case, assigned from the Assignor User to the Assignee User;
- (b) the "**Assignment Period**" is the Day or Days commencing on the Day on which the System Capacity Assignment is to be effective and ending on the last Day on which the Assignor User is registered as holding the Assigned System Capacity;
- (c) the "**Assignment System Point**" means the NTS Exit Point at which the NTS Exit (Flat) Capacity is to be assigned;
- (d) the "**Registered Net Exit Capacity**" is the amount of NTS Exit Flat Capacity determined by National Grid NTS in accordance with paragraph 6.1.5;
- (e) "**remaining Registered Enduring Annual NTS Exit (Flat) Capacity**" is the Registered Enduring Annual NTS Exit (Flat) Capacity remaining after taking account of any deductions of any prior System Capacity Assignment in respect of Registered Enduring Annual NTS Exit (Flat)

Capacity;

- (f) **“remaining Registered Annual NTS Exit (Flat) Capacity”** is the Registered Annual NTS Exit (Flat) Capacity remaining after taking account of any deductions of any prior System Capacity Assignment in respect of Registered Annual NTS Exit (Flat) Capacity;
- (g) **“User Commitment”** shall have the meaning given to it in the Exit Capacity Release Methodology Statement.

6.1.5 National Grid NTS shall determine the Registered Net Exit Capacity by deducting from the aggregate amount of remaining Registered Enduring Annual NTS Exit (Flat) Capacity and remaining Registered Annual NTS Exit (Flat) Capacity the sum of:

- (a) the Transferred System Capacity which is effective on any Day in the Assignment Period, where the Assignor User was the Transferor User (but not where the Assignor User was the Transferee User); and
- (b) the amount of any Registered Enduring Annual NTS Exit (Flat) Capacity and Registered Annual NTS Exit (Flat) Capacity which has been or may be surrendered to National Grid NTS on any Day in the Assignment Period pursuant to an Exit Capacity Management Agreement.

6.1.6 Any deductions of any prior System Capacity Assignment shall be made having regard to paragraph 6.3.2.

## **6.2 Procedure**

6.2.1 Where a User proposes to make a System Capacity Assignment, each of the Assignor User and the Assignee User must notify the System Capacity Assignment to National Grid NTS specifying:

- (a) the identity of the Assignor User and Assignee User;
- (b) the Assignment System Point;
- (c) the class of the Assigned System Capacity;
- (d) the amount in respect of the class of Assigned System Capacity; and
- (e) the commencement date in the Assignment Period on which the System Capacity Assignment is to be effective in respect of the class of Assigned System Capacity;
- (f) where the System Capacity Assignment is for Registered Annual NTS Exit (Flat) Capacity, the Gas Year (or remaining part thereof) for which the Registered Annual NTS Exit (Flat) Capacity is held and, in such case, a separate System Capacity Assignment notice must be submitted in respect of each Gas Year.

6.2.2 A proposed System Capacity Assignment must be notified to National Grid NTS by not later than the fifth Business Day prior to the first Day of the Assignment Period.

6.2.3 National Grid NTS may reject a System Capacity Assignment:

- (a) where either the Assignor User or the Assignee User does not notify the System Capacity Assignment to National Grid NTS in accordance with paragraph 6.2.1 or 6.2.2;
- (b) in accordance with Section V3.;

- (c) where the Assigned System Capacity comprising Registered Enduring Annual NTS Exit (Flat) Capacity exceeds the remaining Registered Enduring Annual NTS Exit (Flat) Capacity;
- (d) where the Assigned System Capacity comprising Registered Annual NTS Exit (Flat) Capacity exceeds the remaining Registered Annual NTS Exit (Flat) Capacity;
- (e) where the Assigned System Capacity (which has been adjusted to take account of any deduction of any prior System Capacity Assignment) exceeds its Registered Net Capacity on any Day in the Assignment Period at the Assignment System Point;

6.2.4 A System Capacity Assignment shall be effective if it is approved by National Grid NTS or is not rejected by National Grid NTS by the start of the fourth Business Day after it was notified by the Assignor User or (if later) the Assignee User under paragraph 6.2.1.

### **6.3 Effect of Assignment**

6.3.1 The Assignee User will be treated for each Day throughout the Assignment Period as the registered holder of the Assigned System Capacity.

6.3.2 [A User's Registered NTS Exit (Flat) Capacity at an NTS Exit Point on a Day is its Registered NTS Exit (Flat) Capacity, adjusted in respect of any System Capacity Assignment(s) (for which that point is an Assignment System Point and the Assignment Period includes that Day) by adding the Assigned System Capacity where the User was the Assignee User, and deducting the Assigned System Capacity where the User was the Assignor User.]

6.3.3 With effect from the first Day of the Assignment Period (and in respect of each subsequent Day in that Assignment Period):

- (a) the Assignor User shall cease to be liable for Capacity Charges in respect of the Assigned System Capacity;
- (b) the Assignee User shall be liable for Capacity Charges in respect of the Assigned System Capacity;
- (c) the Capacity Charges payable by the Assignee User shall be the same Capacity Charges that would have otherwise been payable by the Assignor User for the Assigned System Capacity but for the assignment (which shall, for the avoidance of doubt be at the published Exit Transmission Services rate applicable for each Day during the Assignment Period)

6.3.4 Where a System Capacity Assignment is made which comprises Enduring Annual NTS Exit (Flat) Capacity the Assignee User shall be deemed to have been allocated the Enduring Annual NTS Exit (Flat) Capacity (comprising the Assigned System Capacity) with effect from the time from which, in accordance with paragraphs 3.2.6(c) and 3.2.10, a User was first registered as holding the Enduring Annual NTS Exit (Flat) Capacity.

6.3.5 A System Capacity Assignment shall be without prejudice to the operation of paragraphs 3.2.12 to 3.2.22 (inclusive) in respect of any reduction in the amount of Enduring Annual NTS Exit (NTS) Capacity held by the Assignor User and the Assignee User following a System Capacity Assignment.

6.3.6 No consequences other than those described in this paragraph 6 are intended by the use of the term 'assignment' in this paragraph 6.

## 10 Recommendations

### Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- This modification is considered by Workgroup to be suitable for Self-governance procedures.
- This modification should proceed to consultation.