














UNC Modification	At what stage is this document in the process?
<h1>UNC 0805:</h1> <h2>Introduction of Weekly NTS Exit Capacity Auctions</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>To introduce Weekly NTS Exit Capacity Auctions to allow for more economic and efficient capacity bookings.</p>	
	<p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> <li>subject to Self-Governance</li> <li>assessed by a Workgroup</li> </ul> <p>This modification will be presented by the Proposer to the Panel on 17 March 2022. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact:</p> <p>None</p>
	<p>Medium Impact:</p> <p>National Grid NTS</p>
	<p>Low Impact:</p> <p>Users</p>

Contents		 Any questions?
1	Summary	3
2	Governance	3
3	Why Change?	4
4	Code Specific Matters	5
5	Solution	5
6	Impacts & Other Considerations	6
7	Relevant Objectives	7
8	Implementation	8
9	Legal Text	8
10	Recommendations	8
Timetable		 0121 288 2107
<b>The Proposer recommends the following timetable:</b>		Contact: <b>Joint Office of Gas Transporters</b>
Initial consideration by Workgroup	07 April 2022	 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
Workgroup Report presented to Panel	16 June 2022	 0121 288 2107
Draft Modification Report issued for consultation	17 June 2022	Proposer: <b>Iwan Hughes, Vitol SA</b>
Consultation Close-out for representations	08 July 2022	 <a href="mailto:ihughes@vpi-j.com">ihughes@vpi-j.com</a>
Final Modification Report available for Panel	13 July 2022	 020 3837 5795
Modification Panel decision	21 July 2022	Transporter: <b>National Grid</b>
		Systems Provider: <b>Xoserve</b>
		 <a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a>
		Other: <b>Nick Wye</b>
		 <a href="mailto:nick@waterswye.co.uk">nick@waterswye.co.uk</a>
		 01789 266 811

## 1 Summary

### What

UNC Modification 0752S - *Introduction of Weekly Entry Capacity Auction* which proposed the introduction of weekly entry capacity auctions was approved for implementation by the Uniform Network Code (UNC) Modification Panel on 21 May 2021.

Under the current arrangements for the booking of National Transmission System (NTS) Exit (flat) Capacity, Users are restricted to booking Annual or Daily NTS Exit Firm Capacity. It is proposed to expand the options available to Users by adding a weekly exit capacity auction to the suite of NTS Exit Capacity products.

### Why

With the exception of NTS Exit Points connected to the Distribution Networks, Users shipping gas to Direct Connects have reduced annual NTS Exit Capacity holdings, choosing to optimise the capacity costs by acquiring daily products (both Firm and Off-Peak). Following the implementation of UNC Modification 0678A - *Amendments to Gas Transmission Charging Regime (Postage Stamp)*, even greater focus has been given to booking strategies as in a number of locations auction Reserve Prices have increased significantly.

At present, NTS Exit Capacity can only be bought on an enduring, annual, or daily basis. However, Users may wish to book a week of firm capacity rather than rely on Daily System Exit Capacity (i.e. preferring to “lock in” a volume of capacity for an extended period), for the following reasons:

- a) Mitigate against risks that Daily NTS Exit (Flat) Capacity is withheld by National Grid because of a perceived or actual constraint (whilst also increasing visibility for the System Operator); or
- b) want to purchase capacity ahead of the Gas Day for planning purposes; or
- c) reduce administrative costs and potential booking errors when managing daily booking processes

The introduction of a weekly auction product is likely to be an attractive proposition for Users and customers. A longer duration, such as a month, is unlikely to coincide with operational plans and management of costs.

### How

This Modification seeks to implement a Weekly NTS Exit Capacity auction which allows Users an additional opportunity to book capacity more efficiently, outside of the current Annual, Daily and Daily Off-Peak products.

This proposed Weekly NTS Exit Capacity auction will run independently of the current NTS Exit 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 Exit 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 Exit (Flat) Capacity is required to be purchased<sup>1</sup> to allow a User to offtake gas from the NTS and is made available through various NTS Exit Capacity Application Windows and auctions, which are prescribed within UNC TPD Section B3 (summarised within Table 1).

Following the implementation of UNC Modification 0678A<sup>2</sup>, which changed the charging methodology associated with NTS Capacity, NTS Exit Capacity Reserve Prices have become uniform. As a result, Users saw significant changes to Reserve Prices at a number of locations and, we understand, have shifted focus towards booking capacity on a daily basis, aligning purchases with anticipated offtake quantities.

**Table 1:** Summary of NTS Exit Capacity (Flat) Application Windows/Auctions

Capacity Product	Product	Timeline	
Enduring Annual (EAFLEC) <sup>3</sup>	Flat annual strips, evergreen	Y+4, Y+5 or Y+6	Obligated
Annual (AFLEC)	Flat annual strips	Y+1, Y+2 and Y+3	Unsold Obligated
Day- ahead (DADNEX)	Daily	D+1	Unsold Obligated
Within-day (WDDNEX)	Daily	D	Unsold Obligated
Daily off-peak (DONEX)	Daily	D+1	In accordance with UNC B 3.6.2

<sup>1</sup> Where a Shipper's offtake quantity exceeds their exit capacity entitlement and the total amount of gas offtaken exceeds aggregate capacity entitlements then, they will become subject to overrun charges as per UNC TPD Section B3.13

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

<sup>3</sup> A User may also request a reduction in Enduring Capacity holdings during the application window

## Daily System Exit Capacity Auctions

Whilst the Daily Auctions allow 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 NTS Exit Point should it foresee a capacity constraint occurring<sup>4</sup>. We understand that National Grid does not in the ordinary course notify the market of any potential scale backs ahead of time. As a result, Users are only able to “lock in” capacity for use on a day by either buying annual capacity or trust that sufficient capacity will be available on a day-ahead basis. Given the cost implications of buying annual capacity for offtakes which exhibit variable consumption patterns, this strategy is uneconomic and will impose additional costs on the customer at the associated Exit Point. However, Daily Capacity may also be perceived as being less reliable for the reasons stated and Users and their customers may prefer to manage this risk by acquiring capacity for a duration longer than a day while “locking in” capacity in advance of day ahead.

Further, the current limitation of short-term products to daily capacity only is unnecessarily restrictive and out of kilter with the entry capacity regime. Although a monthly Exit Capacity product is unlikely to secure much support, a weekly product will, in some cases, align with customer consumption forecasts. A weekly booking cycle will reduce the administrative burdens imposed on Users (in booking daily capacity) and, as a result of reduced manual interventions, lead to less booking errors.

## Shipper and customer benefits

Weekly Exit Capacity products will provide the following benefits to Users and consumers:

- Reduce availability risk of relying on day ahead capacity products
- Align with anticipated offtake forecasts and internal planning processes
- Reduce administrative costs and potential errors associated with running daily booking processes (resulting in, for example, Exit Capacity overruns)
- Increase National Grid visibility of week ahead bookings

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

Exit Capacity Release Methodology Statement: <https://www.nationalgrid.com/uk/gas-transmission/uk/electricity-transmission/document/135876/download>

### Knowledge/Skills

No additional knowledge or skills required.

---

<sup>4</sup> As per Chapter 4 of the Exit Capacity Release Methodology Statement: <https://www.nationalgrid.com/uk/gas-transmission/uk/electricity-transmission/document/135876/download>

## 5 Solution

For this Modification to be implemented the provisions for a Weekly NTS Exit Capacity Auction would need to be included within UNC Transportation Principal Document (TPD) Section B, including:

- The capacity available at the Weekly NTS Exit Capacity auction is any Obligated Exit Capacity at any NTS Exit Point that has not previously been allocated as Enduring Annual NTS Exit (Flat) Capacity or Annual NTS Exit (Flat) Capacity.
- The Weekly NTS Exit Capacity auction would take place between 08:00 and 17:00 at D-5 (where D is the first gas day of the weekly period, being a Monday).
- The Weekly NTS Exit Capacity would be allocated by D-4. For the avoidance of doubt, any unsold capacity would be included in the volume to be released via the Daily NTS Exit (Flat) Capacity auctions.
- Where a weekly period crosses two Gas Years, then the prevailing price on each relevant day will be used. For example, week commencing 27<sup>th</sup> September 2021 crosses the 2020/21 and 2021/22 Gas Year. In this example, 27<sup>th</sup>, 28<sup>th</sup>, 29<sup>th</sup> and 30<sup>th</sup> September would be charged at the 2020/21 reserve price whilst the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> 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 5 business days before the auction is due to take place.
- For the avoidance of doubt, upon implementation the prevailing Reserve Price and a Duration Multiplier of one (1) (as prescribed within UNC TPD Section Y for the current NTS Auctions) will be applied to the Weekly NTS Exit 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-IPs, this is reflective of the extent of the amendments that can be made by way of UNC amendment. It is also consistent with the implementation of UNC Modification 0752S.
- It is anticipated that there will not be any impacts on Day-Ahead Exit Capacity Auctions. Users are able to submit daily capacity bids at any time from 05.00 hours on D-7 until 00.00 on D<sup>5</sup>. Allocation of Daily Capacity commences at 15.00 on D-1. As the Weekly Exit Capacity Auction will allocate weekly strips on D-4, unsold capacity (for each day in the relevant week) will flow through to the Daily Capacity Auction allocation process.

---

<sup>5</sup> Note following the implementation of UNC Modification 0759 - *Enhancements to NTS Within-Day Firm Entry and Exit Capacity Allocations* on 24<sup>th</sup> April 2022 Users will be able to submit capacity bids up to 02.00 on D.

## 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.

### Consumer Impacts

A Weekly Exit Capacity Product will enable Users to better align their capacity booking activities with customer needs, ensuring improved efficiencies and greater confidence that capacity can, and has been acquired to underpin customer flows. Currently, a User is only able to acquire Annual Capacity to provide customers with the assurance that capacity can be acquired on each day that it is needed, resulting in higher costs being incurred by the User and ultimately the customer.

### Cross Code Impacts

No Cross Code Impacts identified.

### EU Code Impacts

No EU Code Impacts identified.

### Central Systems Impacts

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

## 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.	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	None

respects the availability of gas to their domestic customers.	
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

Relevant Objective:

- a) This proposal furthers Relevant Objective (a) as implementing a Weekly NTS Exit Capacity auction will provide Users 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.
- d) This proposal furthers Relevant Objective (d) by allowing Users to book NTS Exit Capacity that better reflects their anticipated gas flows (versus the current Annual Capacity products). This will reduce the cost of acquiring unwanted NTS Exit Capacity, where the alternative of relying on the daily product is perceived to be an unpalatable risk.

## 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, subject to UNC TPD Section Y 1.3.2 (j) regarding the publication of reserve prices.

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

### Text Commentary

To be provided by Transporters.

### Text

To be provided by Transporters.

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Self-Governance procedures should apply.
- Refer this proposal to a Workgroup for assessment.