





















UNC Modification		At what stage is this document in the process?
<h1>UNC 0XXX:</h1> <p><i>(Code Administrator to issue reference)</i></p> <h2>Capacity Conversion Mechanism for Interconnection Points</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #008000; color: white; padding: 5px; display: flex; justify-content: space-between; align-items: center;"> <span style="font-weight: bold; font-size: 1.2em;">01</span> Modification         </div> <div style="border: 1px solid blue; padding: 5px; display: flex; justify-content: space-between; align-items: center;"> <span style="font-weight: bold; font-size: 1.2em;">02</span> Workgroup Report         </div> <div style="border: 1px solid purple; padding: 5px; display: flex; justify-content: space-between; align-items: center;"> <span style="font-weight: bold; font-size: 1.2em;">03</span> Draft Modification Report         </div> <div style="border: 1px solid orange; padding: 5px; display: flex; justify-content: space-between; align-items: center;"> <span style="font-weight: bold; font-size: 1.2em;">04</span> Final Modification Report         </div> </div>
<p><b>Purpose of Modification:</b> <i>(Proposer to provide a short description)</i></p> <p>To provide a process for ‘converting’ unbundled capacity into bundled capacity in compliance with the amended EU CAM code.</p>		
	<p><i>Please provide an initial view of the preferred governance route/pathway and impacted parties</i></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 <b>dd mmm yyyy</b> <i>(Code Administrator to provide date)</i>. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>	
	<p>High Impact:</p> <p>Shipper Users</p>	
	<p>Medium Impact:</p> <p>National Grid Gas Transmission</p>	
	<p>Low Impact:</p>	

**Guidance on the use of this Template:**

Please complete all sections unless specifically marked for the Code Administrator.

Green italic text is provided as guidance and should be removed before submission.

The Code Administrator is available to help and support the drafting of any modifications, including guidance on completion of this template and the wider modification process. Contact: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk) or 0121 288 2107.

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			<p>Contact: <b>Joint Office of Gas Transporters</b></p>
			<p><a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a></p>
			<p>0121 288 2107</p>
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			<p><a href="mailto:malcolm.montgomery@nationalgrid.com">malcolm.montgomery@nationalgrid.com</a></p>
			<p>01926 653991</p>
			<p>Transporter: <b>National Grid Transmission</b></p>
			<p>email address</p>
			<p>telephone</p>
			<p>Systems Provider: <b>Xoserve</b></p>
			<p><a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a></p>
			<p>Other: <b>Insert name</b></p>
			<p>email address</p>
			<p>telephone</p>
			<p></p>
Timetable			
<p><i>Please provide proposer contacts and an indicative timeline. The Code Administrator will update the contents and provide any additional Specific Code Contacts.</i></p>			
<p><b>The Proposer recommends the following timetable:</b> <i>(amend as appropriate)</i></p>			
Initial consideration by Workgroup	dd month year		
Amended Modification considered by Workgroup	dd month year		
Workgroup Report presented to Panel	dd month year		
Draft Modification Report issued for consultation	dd month year		
Consultation Close-out for representations	dd month year		
Variation Request presented to Panel	dd month year		
Final Modification Report available for Panel	dd month year		
Modification Panel decision	dd month year		

## 1 Summary

Please provide a summary of the modification proposed – i.e. **what** is the identified defect/change in the existing code that needs to be rectified, **why** this change needs to be made, and **how**.

### Why

Provide a summary of **why** this change should be made, so that readers have an overview of the impact if the change isn't made.

The amendment to the EU network code on capacity allocation mechanisms was published into the EU Official Journal on the 17<sup>th</sup> March 2017 as regulation 2017/459. This shall hereafter be simply referred to as CAM. CAM requires a capacity conversion mechanism to be offered to network users at interconnection points (IP), and this modification shall introduce that process into the Uniform Network Code. Not doing so would create non-compliance with CAM.

### What

Provide a summary of **what** needs to be changed so that readers have an overview of what the identified defect is that needs to be rectified.

Users who hold unbundled capacity on one side of an IP may wish to acquire matching unbundled capacity on the other side of the IP. Because priority is given to offering capacity as bundled, then the user may find that they have no option but to buy a new bundled product to acquire capacity on both sides of the IP. This means that the user will have purchased capacity twice on one side of the IP. There is no capacity conversion mechanism within the UNC to redress this issue for the affected user.

### How

Provide a summary of the proposed Solution so that readers have an overview of **how** you propose to address the defect.

It is proposed that a capacity conversion mechanism be added into the UNC. The proposal will achieve compliance with the CAM code.

## 2 Governance

### Justification for Self-Governance

It is proposed to follow the self-governance procedure.

### Requested Next Steps

This modification should:

- be considered a non-material change and subject to self-governance
- be assessed by a Workgroup

Please provide any additional information to support your preferred next steps, such as any critical events driving the timeline. For instance, if you wish your proposal to be issued directly to consultation without

*workgroup assessment, you must explain why such an assessment is not required and include details of any pre-modification engagement.*

Insert text here

### 3 Why Change?

*This section sets out the defect in Code, which may be an error, an omission or something the Proposer wishes to change. The context for the proposal must be clearly set out and should explain:*

*1. What the driver is and which parties are impacted;*

The amendment to the EU network code on capacity allocation mechanisms was published into the EU Official Journal on the 17<sup>th</sup> March 2017 as regulation 2017/459. This shall hereafter be simply referred to as CAM. CAM requires a capacity conversion mechanism to be offered to network users at interconnection points (IP), and this modification shall introduce that process into the Uniform Network Code. The CAM code requires the mechanism to be effective from 1<sup>st</sup> Jan 2018.

*2. Why this is a Code matter (in the case of new additions); and*

The mechanism will affect capacity entitlements at IPs and the associated liabilities, and so should be implemented through the UNC so there is clear transparent rules.

*3. What the effects are should the change not be made.*

This proposal shall enable compliance with the CAM code.

#### **Insert subheading here (if required)**

Insert text here

### 4 Code Specific Matters

*Please include any Code Related Documents or Guidance notes that are relevant. Weblinks are very helpful. Also, any specific analytical or assessment-related skills you believe would aid the assessment.*

#### **Reference Documents**

The CAM code can be found here:

[http://www.entsog.eu/public/uploads/files/publications/CAM%20Network%20Code/2017/COMMISSION%20REGULATION%20\(EU\)%202017-459%20-%20CAM%20NC.pdf](http://www.entsog.eu/public/uploads/files/publications/CAM%20Network%20Code/2017/COMMISSION%20REGULATION%20(EU)%202017-459%20-%20CAM%20NC.pdf)

#### **Knowledge/Skills**

An understanding of the CAM code and the GB capacity regime would be beneficial, notably UNC Section B of both the Transportation Principal Document and the European Interconnector Document.

### 5 Solution

*The solution must clearly set out the contractual (UNC) changes required, not the detail of the process/system change required.*

*Any additional explanation that Proposers believe is helpful, but that is not intended to be written into Code, must be clearly marked as such (“for information only” or “for the avoidance of doubt” or similar works well in such situations) to aid with the development of legal text.*

### Insert subheading here (if required)

1. Following a bundled auction of yearly, quarterly or monthly IP capacity then shipper users may request to convert unbundled capacity.
2. The request must be received by National Grid NTS, using the pro-forma published on National Grid’s website, between [x] and [y] days after the auction.
3. The following pre-condition must be met before National Grid NTS will consider any capacity conversion requests. Either:
  - a. There is no equivalent unbundled capacity product offered by the adjacent TSO at the IP;  
or
  - b. The equivalent unbundled capacity product offered by the adjacent TSO at the IP is oversubscribed and the conversion request quantity is less than the oversubscription quantity.
4. National Grid NTS will complete both technical and commercial validation.
5. Technical validation.
  - a. If the form received is incomplete or incorrectly filled in then National Grid NTS may reject the form and will ask the sender to resubmit.
6. Commercial validation.
  - a. National Grid NTS will perform a capacity check to ensure that the shipper user holds sufficient [legacy]<sup>1</sup> [registered] capacity holdings compared to the conversion quantity submitted.  
National Grid NTS will inform a shipper user whether the request has been successful. If not successful then National Grid NTS will provide the reasons why.
7. Following a successful application:
  - a. The shipper user shall remain liable to pay the original unbundled capacity holding.
  - b. The shipper user shall [not] be liable to pay the reserve price component of the clearing price for the relevant bundled auction [however a credit amount equal in value to the reserve price shall be paid to the shipper].
  - c. The shipper user shall be liable to pay the auction premium component of the clearing price for the relevant bundled auction.
  - d. The unbundled capacity entitlements of the successful shipper user shall be reduced by the approved conversion quantity.
8. Unbundled capacity that was previously sold, but has been converted to bundled capacity through this mechanism will be made available in any subsequent auctions.
9. The order in which National Grid NTS shall allocate capacity following an auction shall be:
  - a. unsold technical capacity.
  - b. Previously sold unbundled capacity that is now converted.
  - c. Capacity made available through CMP mechanisms.
10. [Cash flow neutrality]

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<sup>1</sup> Legacy in this modification means capacity purchased before the original EU CAM code came into effect i.e. before 1<sup>st</sup> Nov 2015.

## 6 Impacts & Other Considerations

*All parts of this section must be completed; showing "None" where the Proposer believes this is so.*

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

*In the event there is an impact on an SCR, Proposers must confirm that they have Ofgem approval to proceed.*

No impact identified.

### Consumer Impacts

*Proposers must provide their view of the impacts on all consumer groups that may be affected; this will be supported by further input from Workgroup participants later in the process. If 'none', please also explain.*

The net effect of this proposal should be to redress the situation where shipper users have to purchase system capacity twice as they transmit gas through interconnection points. This may result in lower costs for shipper users which in turn should result in a lower cost to consumers.

### Cross Code Impacts

*Please identify any other impacted energy code – a full list is available in the CACoP ([Ofgem](#)) - and the extent of those impacts e.g. a similar modification has been raised in another Code.*

No impact identified.

### EU Code Impacts

*Please identify any impacted EU energy code*

This UNC modification proposal demonstrates how GB will comply with the capacity conversion mechanism required under the CAM code.

### Central Systems Impacts

*Proposers must provide their view of the impacts on central systems (inc. Gemini and UK Link) that may be affected; this will be supported by further input from the Central Data Services Provider (Xoserve) later in the process. If 'none', please also explain.*

These will be investigated as part of the workgroup assessment. Any change to systems identified through this modification is anticipated to be dealt with, and funded, through National Grid's EU phase 4 project.

## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
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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.	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.	Positive

Demonstration of how the Relevant Objectives are furthered inserted here

## 8 Implementation

*As far as they are known, the anticipated implementation costs for all industry parties (e.g. Transporters, Shippers, adjacent TSOs, Storage/Terminal Operators, central systems, customers) should be provided.*

*Provide any views you have on implementation timescales, including the costs and benefits of a range of implementation options where appropriate.*

*If a suggested implementation date is not provided and the decision is to accept the modification, then the Transporters will set the implementation date.*

*If a timescale for implementation is suggested, the format explained below **must** be used, and brief reasons provided for each suggested date.*

- At least two fixed implementation dates must be specified, and for each of these the latest date by which an implementation decision is required if the date is to apply: e.g. 01 June 2014 if a decision to implement is issued by 15 May 2014; 01 September 2014 if a decision to implement is received by 06 August 2014.*
- In addition, a backstop lead time must be specified to allow for any later decision date: e.g. if a decision to implement is received after 06 August 2014, implementation 21 business days following the decision to implement.*

### **Suggested wording for Self-Governance Modifications:**

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.

The CAM code requires the mechanism to be effective from the 1<sup>st</sup> Jan 2018.

### **Suggested wording for Self-Governance Modifications:**

As self-governance procedures are proposed, implementation could be sixteen business days after a unanimous vote in favour of implementation by the Modification Panel, subject to no Objection being raised.

## 9 Legal Text

*Proposers are welcome to provide Suggested Legal Text alongside their modification, but are under no obligation to do so unless Fast Track procedures are requested (see above).*

*Legal text will be drawn up by the relevant Transporter at a time when the modification is sufficiently developed in line with the [Legal Text Guidance Document](#).*

### **Text Commentary**

Insert text here

### **Text**

Insert text here



## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to: *[Delete as appropriate]*

- Agree that self-governance procedures should apply
- Refer this proposal to a Workgroup for assessment.