





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>Amendments to the firm capacity payable price at Interconnection Points</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; border-radius: 5px; padding: 5px; background-color: #008000; color: white;">01 Modification</div> <div style="border: 1px solid blue; border-radius: 5px; padding: 5px; background-color: #e6f2ff;">02 Workgroup Report</div> <div style="border: 1px solid purple; border-radius: 5px; padding: 5px; background-color: #f2e6ff;">03 Draft Modification Report</div> <div style="border: 1px solid orange; border-radius: 5px; padding: 5px; background-color: #fff9e6;">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>This modification seeks to facilitate compliance with the EU tariff code. It seeks to make amendments to the payable price at Interconnection Points (IP)s.</p>		
	<p>The Proposer recommends that this modification should be assessed by a Workgroup</p> <p>This modification will be presented by the Proposer to the Panel on <b>dd mmm yyyy</b>. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>	
	<p>High Impact:</p> <p>Shippers and National Grid NTS</p>	
	<p>Medium Impact:</p> <p>N/A</p>	
	<p>Low Impact:</p> <p>N/A</p>	

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Timetable		<b>Any questions?</b>
<b>The Proposer recommends the following timetable:</b>		Contact: <b>Joint Office of Gas Transporters</b>
Initial consideration by Workgroup	03 March 2017	<a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
Workgroup Report presented to Panel	18 May 2017	0121 288 2107
Draft Modification Report issued for consultation	18 May 2017	Proposer: <b>Colin Hamilton</b>
Consultation Close-out for representations	08 June 2017	<a href="mailto:colin.j.hamilton@nationalgrid.com">colin.j.hamilton@nationalgrid.com</a>
Final Modification Report available for Panel	09 June 2016	01926 653423
Modification Panel decision	15 June 2016	Transporter: <b>National Grid</b>
		email address
		telephone
		Systems Provider: <b>Xoserve</b>
		<a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a>
		Other: <b>Insert name</b>
		email address
		telephone

# 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**.

## 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.

The EU Capacity Allocation Mechanism (CAM) code was introduced into the UNC via Modification 0500. Since then several changes have been made to the EU CAM code which has resulted in subsequent proposal to change the UNC, namely Modification 0598 which introduced changes to the auction calendar and Modification 0597 which introduces a framework and rules to enable the acquiring of incremental capacity at Interconnection Points to take place. Commission Regulation (EU) No. XXX/2017 establishing a network code on harmonised transmission tariff structures for gas requires changes to rules governing the payable price for both available and incremental annual firm capacity at interconnection points (IPs). This Modification Proposal introduces rules into the UNC concerning the payable price for the capacity released under the new incremental process at IPs and ensure the rules for the payable price for existing available capacity at IPs is compliant with this new EU Tariff code.

## 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 EU Tariff code prohibits the use of a fixed payable price approach for available firm capacity at IPs, it also introduces the concept of a mandatory minimum premium that may be applied to the payable price for incremental capacity. This Modification shall ensure compliance with this new EU regulation.

## How

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

The following changes to the payable price for annual firm capacity at IPs shall be added to the UNC.

a) Payable price

- The rules governing the payable price for NTS Entry Capacity at interconnections points allocated in an Annual Yearly Auction shall be aligned to that for the treatment of Annual Firm Exit Capacity. Namely, the reserve price element of the payable price shall be redetermined to reflect the prevailing reserve price when the capacity falls due for payment.

b) For Incremental Capacity at Interconnection Points

- Incremental capacity may be released either via an auction mechanism, or an alternative allocation mechanism. This shall require a new definition to be introduced into the UNC of an “Applicable Payable Price” where such an allocation mechanism is used.

- This Modification shall introduce the concept of a Mandatory Minimum Premium which may be added to Auction Price or Applicable Payable Price for incremental capacity.

## 2 Governance

*Please state clearly which governance procedures apply and why, referring to the relevant criteria (reproduced by the Code Administrator below):*

### Justification for Authority Direction

This modification proposal is recommended to be sent to the Authority for direction as it shall change the payable price for capacity released at interconnection points in both the Annual Yearly auction and in any incremental release. As this will impact the rules governing the payable price for firm capacity at IPs it may have a material effect on the shipping and transportation of gas, as well as the security of supply for GB.

### Requested Next Steps

This modification should:

- be assessed by a Workgroup

As this will affect the payable price that shippers shall bear for capacity at IPs and so could benefit from industry discussion and scrutiny.

## 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;*
2. *Why this is a Code matter (in the case of new additions); and*
3. *What the effects are should the change not be made.*

The EU Tariff code enters into force at the end of March 2017. Changes to the UNC are required to ensure compliance with this regulation. These changes shall principally affect NTS shippers. If the Modification is not implemented GB may not be compliant with EU Regulations.

## 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

<http://www.gasgovernance.co.uk/sites/default/files/EU%20Tariff%20Code%20-%20final%20clean.pdf>

### Knowledge/Skills

An understanding of the EU Tariff code and the European Interconnection Document within the UNC would be beneficial.

## 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.*

### Annual Yearly Capacity Auctions

1. The rules governing the Applicable Daily Rate of the Capacity Charge for Annual Yearly Entry will have to be aligned to that for Exit. The daily charge for interconnection point capacity allocated in an annual yearly capacity auction is the NTS Auction Price, which consists of the Reserve Price plus a share of any auction premium. This Modification shall change the NTS Auction Price such that for the purposes of calculating the Applicable Daily Rate the NTS Auction Price for Entry capacity shall be redetermined as the reserve price for such Gas Year in the prevailing Transportation Statement.

### Incremental Capacity

1. There shall be a new defined term known as the “Mandatory Minimum Premium”. This shall be an additional pricing element that may be applied to the payable price for incremental capacity to enable a positive economic test outcome where the allocation of all incremental capacity at the reserve price calculated via the normal charging methodology would not generate sufficient revenues to pass the test.
2. A new defined term of the Applicable Payable Price shall be required for when incremental capacity at IPs is released via an Alternative Allocation Mechanism. The Applicable Daily Rate of the Capacity Charge shall be the Applicable Payable Price which shall be the Reserve Price plus the Mandatory Minimum Premium (where applied). For the purposes of calculating the Applicable Daily Rate, the Applicable Payable Price shall be redetermined as the reserve price for such Gas Year in the prevailing Transportation Statement.
3. Where incremental capacity at IPs is released via an auction the NTS Auction Price shall be redefined as the Reserve Price plus a share of the Auction Premium plus the Mandatory Minimum Premium (where applied).
4. The Mandatory Minimum Premium may also be applied in subsequent auctions when the capacity is offered that initially remained unsold or when capacity is offered that has been set aside.

## 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?**

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.*

Slightly positive. This Modification supports the new process for releasing incremental capacity at Interconnection Points which may facilitate the addition of capacity to the GB market which in turn could be of benefit 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.*

None identified.

## EU Code Impacts

*Please identify any impacted EU energy code*

This UNC Modification proposal demonstrates how GB will comply with the EU Tariff code. There are also links with amendments to the EU CAM code as detailed in UNC Modifications 0597 and 0598.

## Central Systems Impacts

The move from a fixed price to an administered price for entry capacity at interconnection points will impact GEMINI. Any system changes to GEMINI will be dealt with as part of National Grid's EU Phase 4 project.

### User Pays *(Proposer to complete this table)*

Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	n/a
Proposed charge(s) for application of User Pays charges to Shippers.	n/a
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	n/a

## 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.	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

### **OR, for Section Y (Charging Methodology) Modifications**

Impact of the modification on the Relevant Charging Methodology Objectives:	
Relevant Objective	Identified impact
a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	Positive/Negative/None
aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: (i) no reserve price is applied, or (ii) that reserve price is set at a level - (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and (II) best calculated to promote competition between gas suppliers and between gas shippers;	Positive/Negative/None
b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	Positive/Negative/None
c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	Positive/Negative/None

d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	Positive/Negative/None
e) 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/Negative/None

*In the case of a modification to a NTS Charging Methodology, please state why the modification does not conflict with:*

- (i) paragraphs 8, 9, 10 and 11 of Standard Condition 4B of the Transporter's Licence; or*
- (ii) paragraphs 2, 2A and 3 of Standard Special Condition A4 of the Transporter's Licence;*

*In the case of a modification to the NTS Connection Charging Methodology, please contact the Joint Office for the appropriate relevant objectives.*

This modification furthers relevant objective g) because it introduces appropriate changes into the UNC to reflect EU Regulation xxx/2017.



## 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.*

No implementation timescales are proposed. The European Commission has specified that this Regulation should come into effect on 1st April 2017 with respect to the mandatory minimum premium; however the earliest such a premium could apply is Q1 2018 subject to an incremental signal following the demand assessment phase in March 2017. The requirement for entry capacity allocated at the annual auction to have a floating price is not required until the annual auction in July 2018. The Authority decision should take account of these timelines.

## 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:

- Refer this proposal to a Workgroup for assessment.

*Please remove all green italicised text as you complete the document*