

UNC Workgroup Report

At what stage is this document in the process?





# UNC 0629S:







## Standard Design Connections: A2O connection process modification

01	Modification
02	Workgroup Report
03	Draft Modification Report
04	Final Modification Report

**Purpose of Modification:**

This modification will introduce the Standard Design Connection to the A2O and construction connection processes.

	<p>The Workgroup recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>• subject to self-governance</li> <li>• considered a material change and not subject to self-governance</li> <li>• further assessed by a Workgroup</li> <li>• proceed to Consultation</li> </ul> <p>The Panel will consider this Workgroup Report on <b>17 May 2018</b>. The Panel will consider the recommendations and determine the appropriate next steps.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: Transporters, Shippers and Consumers</p>

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Timetable		 0121 288 2107																
<p><b>The Proposer recommends the following timetable:</b></p> <table border="1"> <tr> <td>Initial consideration by Workgroup</td> <td>02 November 2017</td> </tr> <tr> <td>Workgroup Report presented to Panel</td> <td>17 May 2018</td> </tr> <tr> <td>Draft Modification Report issued for consultation</td> <td>17 May 2018</td> </tr> <tr> <td>Consultation Close-out for representations</td> <td>08 June 2018</td> </tr> <tr> <td>Final Modification Report available for Panel</td> <td>11 June 2018</td> </tr> <tr> <td>Modification Panel decision</td> <td>21 June 2018</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> </table>		Initial consideration by Workgroup	02 November 2017	Workgroup Report presented to Panel	17 May 2018	Draft Modification Report issued for consultation	17 May 2018	Consultation Close-out for representations	08 June 2018	Final Modification Report available for Panel	11 June 2018	Modification Panel decision	21 June 2018					Proposer: <b>Nicola Lond</b>
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		 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>																
		 01926 654043																
		Transporter: <b>National Grid NTS</b>																
		 <a href="mailto:nicola.j.lond@nationalgrid.com">nicola.j.lond@nationalgrid.com</a>																
		 telephone <b>01926 654043</b>																
		Systems Provider: <b>n/a</b>																

## 1 Summary

### What

This is a modification which seeks to introduce the concept of a Standard Design Connection to the NTS Connection Application to Offer and construction connection processes within UNC. Standard Design Connections are being developed as part of Project CLoCC<sup>1</sup> which is a Network Innovation Competition Project.

### Why

The objectives of Project CLoCC are to reduce the cost and time of connection to the NTS. This Modification is to amend the connection processes in order to be more efficient and economical for a Standard Design connection. This is possible due to new pre-appraised and pre-approved standard designs to be delivered by Project CLoCC in October 2018.

### How

To change the relevant sections of UNC in order to allow the definition of a Standard Design connection and to amend the processes associated with these types of connection.

## 2 Governance

### Justification for Self-Governance

The Modification Panel determined that this modification proposal is suitable to follow Self-Governance procedures as it is unlikely to have a material impact on consumers, competition, operation of the pipeline system, matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies, or governance procedures. In addition, it is unlikely to unduly discriminate between different classes of parties to the UNC. This is on the basis that it seeks to make a change to the current connection arrangements in order to open up the NTS to more customers.

### Requested Next Steps

This modification should:

- be considered a **non-material** change and subject to self-governance;
- be issued to consultation.

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<sup>1</sup> Customer Low Cost Connections

## 3 Why Change?

### Background

Project CLoCC is a Network Innovation Competition project with the objective of reducing the time and cost of connection to the National Transmission System (NTS). Project CLoCC will deliver Standard NTS connection Designs, which are pre-appraised and pre-approved. Currently UNC defines the Connections process and this will need amending in order for the Standard Designs to be more effectively implemented and utilised by potential customers.

### Resolution

In order to deliver Project CLoCC standard designs the UNC requires amending to include the definition of a Standard Design connection which can then enable a more appropriate, efficient and economic process to be applied. It is proposed that it is appropriate to have a modified process for a Standard Design Connection as this will have different costs and timelines associated compared to a bespoke design, in order to meet the objectives of reducing the time and cost of the connection for the customer.

## 4 Code Specific Matters

### Reference Documents

TPD V, Y

### Knowledge/Skills

An understanding of the NTS Connections processes would be beneficial.

## 5 Solution

### Solution

It is proposed that TPD is amended to allow the following principles to apply.

1. Define a Standard Design Connection which allows a connection with a flow rate of less than 57.3 GWh/d to connect to the NTS at a location which is verified and utilises the Standard Designs<sup>2</sup>.
2. Define Standard Designs – Pre-approved and Pre-appraised designs in accordance with National Grid policy T/SP/G/19 for Entry and Exit up to 300mm Minimum Offtake Connections.
3. Ensure all current UNC definitions are still applicable or updated accordingly to accommodate Standard Design connections. (e.g. V.13/Y2.12)
  - a. Connection – Load Size threshold – Should no longer be exceptional circumstances to allow connection to NTS of loads below 2 million therms but will still be considered on a case by case basis by National Grid.(Y2.12)

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<sup>2</sup> Subject to availability of NTS Entry or NTS Exit Capacity

4. Allow appropriate NTS connection application fees.
  - a. Applicant to pay the “relevant Fee” (Connection Application Fee) - Standard Design FCO fee to be added to Connection Charging Statement. (V13.1.1)
  - b. Standard Design FCO to be fixed fee.- v13.2.2
  
5. Ensure the Principles set out in TPD section Y, The Gas Transmission Connection Charging Methodology, are appropriate for all types of connection including Standard Design connection.
  - a. Proposed to restructure the principles (Y2 section 2) to make clearer and include Standard Design
  
6. Time for a Standard Design Full Connection Offer – to be issued within [x] months (TPD V.13.5) where no feasibility study is required.
  
7. A Feasibility Study **May** be required (TPD V.13.6).

For Information only - see attached information which was presented to clarify the feasibility study requirements



Standard Design  
Feasibility Study requ

## 6 Impacts & Other Considerations

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

No

### Consumer Impacts

#### Consumer Impact Assessment

##### Criteria

Which Consumer groups are affected?

##### Extent of Impact

A more efficient process for bringing gas to the market will benefit all consumers. In particular, large consumers requiring an NTS connection of up to 57.3 GWh will be able to utilise a more efficient and cost effective process of securing a connection offer.

What costs or benefits will pass through to them?	The relevant Connection Application fee will be reduced in line with the figures released in the Connection Charging Statement. These are expected to be as follows: <ul style="list-style-type: none"> <li>Standard Design - Full Connection Offer: £12,000.</li> <li>Feasibility Study: £14,000.</li> </ul>
When will these costs/benefits impact upon consumers?	The project CLoCC will be implemented on 30 October 2018.
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

### Cross Code Impacts

None

### EU Code Impacts

None

### Central Systems Impacts

None

## 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 <ul style="list-style-type: none"> <li>(i) the combined pipe-line system, and/ or</li> <li>(ii) the pipe-line system of one or more other relevant gas transporters.</li> </ul>	None
c) Efficient discharge of the licensee's obligations.	Positive
d) Securing of effective competition: <ul style="list-style-type: none"> <li>(i) between relevant shippers;</li> </ul>	Positive

(ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	
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

### **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;	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;	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
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
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).	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.	None

**Standard Relevant objectives**

**[clarification statement]**

**NL to confirm proposers view**

**a) Efficient and economic operation of the pipe-line system.**

- c) Efficient discharge of the licensee's obligations.
- 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.

The Workgroup agreed with the Proposers view of furthering of standard relevant objectives a), c) and d) from the standard table.

Equally the Workgroup agreed with the proposers view that Section Y relevant objectives b) and c) are furthered because the Modification Proposal introduces appropriate changes into the UNC to facilitate the introduction of new sources of gas connections to the NTS.

This modification furthers relevant objective a), and c) and d) because it introduces appropriate changes into the UNC to the Application to Offer Connections process in order to facilitate the introduction of more efficient processes for gas connections to the NTS.

This modification furthers Section Y relevant objective b), and c) because it introduces appropriate changes into the charging methodology within the UNC to take into account the introduction of more efficient processes for gas connections to the NTS, potentially opening up the NTS to new customers.

## 8 Implementation

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.

Project CLoCC is due to deliver in October 2018 and the timetable proposed is to ensure delivery of the modification ahead of the Project delivery date.

## 9 Legal Text

### Text Commentary

The Workgroup considered that the definitions of Connected Delivery Facility (TPD I1.2.2) and Connected Offtake System (TPD J1.4.4) sufficiently cover the type of connection anticipated here, including for example: renewable and unconventional gases and smaller exit connections and does not limit other connections.

To be provided following workgroup development

### Text

#### TRANSPORTATION PRINCIPAL DOCUMENT

#### SECTION V – GENERAL

*Amend paragraph 13.1.2 to read as follows:*



13.1.2 A Connection Application shall be a "**Competent Connection Application**" where:

- (a) the application form has been correctly and fully completed;
- (b) the requested technical data has been fully provided and the applicant has indicated whether or not the application relates to a Standard Design Connection; and
- (c) the relevant Connection Application Fee has been paid in full and is available to National Grid NTS in cleared funds.

*Add new paragraph 13.1.6 to read as follows:*

13.1.6 For the purposes of the Code a "**Standard Design Connection**" means:

- (a) a standard design connection in accordance with the document named 'National Grid Policy T/SP/G/19 for Entry and Exit Connections up to 300mm Minimum Offtake Connections'; and
- (a) (b) in respect of which the maximum rate at which gas can be delivered to or offtaken from the NTS does not exceed [57.3 GWh/Day].
- (b) [and any other connection is a "**Non-Standard Design Connection**".]

*Amend paragraph 13.2.1 to read as follows:*

13.2.1 The Connection Application Fee in relation to:

- (a) an Initial Connection Application shall be:
  - (i) the same monetary value for all categories of NTS connections; and
  - (ii) a fixed, full and final amount that shall not be subject to any adjustment by National Grid NTS once paid by the Connection Applicant (nor shall the Connection Applicant be entitled to any refund of part of the Connection Application Fee);
- (c) (b) an Initial Connection Application and a Full Connection Application in respect of a Standard Design Connection shall be a fixed amount.

*Amend paragraph 13.2.3 to read as follows:*

13.2.3 For the avoidance of doubt, no reconciliation under paragraph 13.2.2 shall be undertaken in relation to an Initial Connection Offer or an Initial Connection Application or, in relation to a Standard Design Connection, a Full Connection Offer or a Full Connection Application.

*Amend paragraph 13.5.1 to read as follows:*

13.5.1 National Grid NTS shall issue a Connection Offer to the Connection Applicant as soon as reasonably practicable and in any event within:

- (a) in the case of an Initial Connection Offer, within two (2) months of the date on which National Grid NTS notifies the Connection Applicant that the relevant Initial Connection Application is a Competent Connection Application; and
- (b) in the case of a Full Connection Offer, within:
  - (i) [three (3)] months in the case of a Standard Design Connection [unless National Grid NTS determines a feasibility study is required];
  - (ii) six (6) months (where the connection point requested by the Connection Applicant is in a greenfield location (being a location that has not previously been the subject of development) and the Full Connection Offer is in respect of a minimum offtake connection to the NTS with a ramp rate of less than 50MW/minute); or
  - (iii) nine (9) months (in all other cases);

(or such longer time as the Authority may agree, or be deemed to have agreed, pursuant to paragraph 13.5.2) of the date on which National Grid NTS has confirmed to the Connection Applicant that the Connection Application is a Competent Connection Application (the “**Connection Offer Deadline**”).

*Amend paragraph 13.5.6 to read as follows:*

13.5.6 A feasibility study may be required in order to be able to provide a Full Connection Offer to the Connection Applicant except where the connection point requested by the Connection Applicant is in a greenfield location (being a location that has not previously been the subject of development) and the Full Connection Offer is in respect of a minimum offtake connection to the NTS with a ramp rate of less than 50MW/minute. Where a feasibility study is required in order to be able to provide a Full Connection Offer:

- (a) ...

## **SECTION Y – CHARGING METHODOLOGIES**

### **The Gas Transmission Connection Charging Methodology**

*Amend Section 2 (Principles) paragraphs 4 to 11 (inclusive) to read as follows:*

- 4. National Grid will recover the Actual Costs incurred when it carries out Design Works and Construction Works in relation to Non-Standard Design Connections, i.e. customers are charged on a cost pass-through basis, and National Grid will recover Fixed Costs only when it carries out Design Works [and Construction Works] in relation to Standard Design Connections.
- 5. Charges for Non-Standard Design Connections will reflect the cost of labour, materials, and any other expenses required to carry out the work to the customer’s requirements including applicable Lane Rental Charges. Each cost element will carry an appropriate level of overhead.
- 6. National Grid will calculate Estimated Costs and Actual Costs for Non-Standard Design Connections using:
  - (d) National Grid’s fully absorbed direct costs associated with undertaking any works, i.e. including appropriate overhead costs;

- (e) Individually tendered rates for indirect costs, and
- (f) Any other costs not included above related to the provision of connection activities.
7. National Grid may carry out work additional to that which is required to meet the requirements of the customer (in relation to both Standard Design Connections and Non-Standard Design Connections) to ensure that it develops the NTS in an economic and efficient manner. Where this occurs, the cost of any additional works will not be charged to the customer.
  8. All charges are made subject to the appropriate Standard Conditions of Contract (SCCs), which will be made available on request in respect of specific projects.
  9. Bespoke quotations for Non-Standard Design Connections will identify any assumptions that are used in the determination of the Estimated Costs.
  10. National Grid will enter into commercial agreements with customers in relation to Non-Standard Design Connections on the basis of Estimated Costs, and will seek an advance payment of these Estimated Costs in accordance with both the relevant commercial agreement and National Grid's prevailing credit policy.
  11. However, to ensure that the Actual Costs of the project are recovered in respect of Non-Standard Design Connections as described in paragraph 4 above, when final payment is due, as specified in the relevant commercial agreement, National Grid will compare Actual Costs with Estimated Costs invoiced to date and charge for the additional costs incurred or refund any overpayment, as may be the case.

*Amend Section 3 (Connection Charging Methodology) paragraph 12 to read as follows:*

12. [Loads (or sources of gas) below 58,600,000kWh (2 million therms) per annum shall not [normally] be connected to the NTS. In [certain] circumstances where suitable alternative connections to a Distribution Network are not available National Grid will consider requests for an NTS connection on a case by case basis.]

## 10 Recommendations

### Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- This self-governance modification should proceed to consultation.