

UNC Modification	At what stage is this document in the process?
<h1>UNC 0848:</h1> <h2>Alignment of Entry and Exit Capacity Constraint Management Provisions</h2>	<p>01 Modification</p> <p>02 Workgroup Report</p> <p>03 Draft Modification Report</p> <p>04 Final Modification Report</p>
<p>Purpose of Modification:</p> <p>This Modification seeks to clarify in the UNC that National Gas Transmission (NGT) will apply the System Management Principles in the course of the management of an Exit Capacity Constraint at Exit. This will align the Exit Capacity arrangements with existing UNC terms relating to Entry management of a Capacity Constraint Management at Entry, and also with the Exit Capacity release principles set out in the Exit Capacity Release Methodology Statement.</p>	
<p>Next Steps:</p> <p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none">• should be subject to Self-Governance• assessed by a Workgroup <p>This Modification will be presented by the Proposer to the Panel on 18 May <u>17 August</u> 2023. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>	
<p>Impacted Parties:</p> <p>High: None</p> <p>Low: Users of NTS Exit Capacity</p> <p>None: None</p>	
<p>Impacted Codes:</p> <p>None</p>	

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Modification timetable:	
Pre-Modification Discussed	04 May 2023
Date Modification Raised	04 May 2023
New Modification to be considered by Panel	18 May 2023
First Workgroup Meeting	01 June 2023
Workgroup Report to be presented to Panel	17 August 2023
Draft Modification Report issued for consultation	18 August 2023
Consultation Close-out for representations	08 September 2023
Final Modification Report available for Panel	14 September 2023
Modification Panel decision	21 September 2023

 Any questions?

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1 Summary

What

The high-level requirements for the release of Entry and Exit Capacity on the National Transmission System (NTS) by National Gas Transmission (NGT) are set out (respectively) in **TPD Section B2** and **B3** (System Use and Capacity). As required by NGT's Licence, principles for determination of the volumes of Entry and Exit Capacity to be released by NGT are set out (respectively) in the Entry Capacity Release Methodology Statement (**ECR**) and the Exit Capacity Release Methodology Statement (**ExCR**).

NGT's Licence requires NGT to have in place and maintain a System Management Principles Statement (**SMPS**) which sets out the principles and criteria by which NGT will determine:

- which System Management Services NGT will use to assist it in the operation of the NTS; and
- when and for what purpose NGT resorts to measures not involving the use of System Management Services.

Collectively, the methodologies detailed in the Entry Capacity Release Methodology Statement **ECR**, Exit Capacity Release Methodology Statement **ExCR** and the **SMPS** (the contents of all of which are subject to the consent of the Authority) set out NGT's approach to the release of Entry and Exit Capacity, including instances where utilisation of Constraint Management tools is necessary.

Why

The **SMPS** enables the use of a number of tools to manage localised transportation capability including the restriction of daily Firm NTS capacity (Entry and Exit) made available. This is also reflected in:

- the **ECR**, which makes provision for NGT to withhold Entry Capacity from release where a capacity constraint is foreseen; and
- the **ExCR**, which makes provision for NGT to withhold Exit Capacity from release where a capacity constraint is foreseen.

TPD Section B2 (Entry Capacity) explicitly requires NGT to apply the System Management Principles (as set out in the **SMPS**) in the management of an ~~Entry Capacity~~ ~~Capacity~~ constraint.

However, the existing equivalent UNC rules for Exit ~~Capacity~~ (set out in **TPD Section B3**) do not include a corresponding requirement regarding the application of System Management Principles in ~~these circumstances~~ ~~management of a capacity constraint at Exit~~.

Hence **TPD Section B3** is inconsistent with:

- the equivalent terms relating to ~~management of a capacity constraint at~~ ~~Entry Capacity~~ in the UNC (**TPD Section B2**);
- the rules in the **SMPS** regarding the steps available to NGT in the management of localised (Exit) transportation capability; and
- the rules in the **ExCR** which makes provision for NGT to withhold Exit Capacity from release where a capacity constraint is foreseen.

Implementation of this Proposal would therefore align the Exit Capacity arrangements with existing UNC terms ~~relating regarding to management a capacity~~ ~~Entry Capacity~~ ~~Constraint~~ ~~Management at Entry~~, and also with the Capacity release principles set out in the **ExCR** and **SMPS**.

How

This Modification seeks to include a requirement in TPD Section B3 for National Gas Transmission (NGT) to apply the System Management Principles in the course of the management of ~~a n-Exit Ccapacity Cconstraint at Exit~~.

2 Governance

Justification for Authority Direction

Application of Self-Governance procedures is sought because the changes proposed are unlikely to have a material effect on the 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, nor on the operation of one or more pipe-line system(s) (nor any of the other aspects described in the Self-Governance criteria).

This is because the nature of the proposed change is to merely provide clarity and transparency in the UNC regarding the arrangements relating to, and tools available to NGT, where an Exit Capacity Constraint is foreseen as set out in the SMPS.

Requested Next Steps

This Modification should:

- be considered a non-material change and subject to Self-Governance.
- be assessed by a Workgroup.

A pre-modification discussion took place at the May 2023 Transmission Workgroup.

3 Why Change?

Issue Summary

There is an inconsistency in the UNC regarding the management of ~~Entry and Exit cCapacity Cconstraints at Entry and Exit~~ -as set out below. Alignment of the provisions relating to the management of Entry Ccapacity cConstraints at Exit with the existing provisions relating to ~~Ex#ntry Capacity Constraints~~ (as proposed in this Modification) would enhance the clarity of the UNC arrangements and better reflect the approach taken by NGT in the circumstances as set out in the SMPS and the ExCR.

Context

The high-level requirements for the release of Entry and Exit Capacity on the NTS by NGT are set out (respectively) in TPD Section B2 and B3 (System Use and Capacity).

As required by Special Condition 9.18 of NGT's Licence, principles for the determination of the volumes of Entry and Exit Capacity to be released by NGT are set out (respectively) in the:

- ECR; and
- ExCR.

In summary, Special Condition 9.18.1 states:

This condition places the following obligations on the licensee:

- a) to release Obligated Entry Capacity and Obligated Exit Capacity;
- b) to maintain and comply with capacity release methodology statements;
- c) to report to the Authority; and
- d) to publish the capacity release methodology statements.

Special Condition 9.19 of NGT's Licence also requires NGT to have in place and maintain a SMPS. Special Condition 9.19.8 requires that the SMPS must set out the principles and criteria by which NGT will determine:

- o which System Management Services NGT will use to assist it in the operation of the NTS; and
- o when and for what purpose NGT resorts to measures not involving the use of System Management Services.

Specifically, Special Condition 9.19.9 explicitly states that NGT must comply with the provisions of the SMPS.

Collectively, the methodologies detailed in the ECR, ExCR and the SMPS (the contents of all of which are subject to the consent of the Authority) set out NGT's approach to the release of Entry and Exit Capacity, including instances where utilisation of Constraint Management tools is necessary.

Alignment of Methodology Statements and the UNC

Part C of the SMPS enables the use of a number of tools to manage localised transportation capability including to "restrict the quantity of daily firm NTS Capacity made available". As this utilisation of the term 'NTS Capacity' is not pre-fixed with 'Entry' nor 'Exit' then this tool is available to NGT in both cases.

This is also reflected in:

- the ECR, paragraph 74 of which states:
"Where, in respect of any given Gas Flow Day, circumstances arise in which National Grid¹ foresees a capacity constraint occurring at an ASEP, National Grid may withhold capacity from sale for that ASEP in DSEC auction..."
- the ExCR, paragraph 162 of which states
"Where, in respect of any given Gas Flow Day, circumstances arise in which National Grid¹ foresees a capacity constraint occurring at an NTS Exit Point, National Grid may withhold capacity from sale for that NTS Exit Point in the Daily auctions. The quantity withheld will be limited to that which National Grid considers necessary to avoid the constraint or to avoid increasing the extent of the constraint, and hence to avoid or limit, the cost of any actions needed to manage the constraint".

TPD Section B2.9.6 (in the context of Entry Capacity) explicitly requires NGT to apply the System Management Principles (as set out in the SMPS) in the management of an ~~Entry-C~~ capacity ~~C~~constraint at Entry. This section states:

"National Gas Transmission shall for the purposes of the management of a capacity constraint take such steps as are in accordance with the System Management Principles"

However, the existing equivalent UNC rules for management of a ~~Exit-C~~ capacity ~~constraint at Exit~~ (set out in TPD Section B3) do not include the corresponding requirement regarding application of System Management Principles in these circumstances.

¹ Occurrences of the entity name 'National Grid' in the ExCR, ECR and SMPS are expected to be amended to reflect the new entity name 'National Gas Transmission' on an incremental basis in prospective versions of each document.

Hence TPD Section B3 is inconsistent with:

- the equivalent terms relating to [management of a Entry-C capacity constraint at Entry](#) in the UNC (TPD Section B2.9.6);
- the rules in Part C of the SMPS regarding the steps available to NGT in the management of localised (Exit) transportation capability; and
- the rules in paragraph 162 of the ExCR which makes provision for NGT to withhold Exit Capacity from release where a capacity constraint is foreseen.

Implementation of the changes advocated by this Proposal would therefore provide clarity and remove ambiguity for Users by aligning the [Exit Capacity](#) arrangements [at Exit](#) with existing UNC terms relating to [management of a Entry-C capacity C constraint Management at Entry](#), and also with the Capacity release principles set out in the ExCR and SMPS.

Consequences of continued Capacity Release in a constraint situation

Where a capacity constraint is foreseen (or indeed in effect) NGT has a suite of operational and commercial tools which may be adopted to alleviate the constraint at the most efficient cost. In such cases, NGT only withholds those capacity volumes that exceed the expected (or actual) capability of the network at that time. If NGT released such volumes (that exceeded physical capability), and due to the constraint was required to use other constraint management tools to manage the constraint (including Locational actions and/or the buy back of firm NTS Exit Capacity), this may result in constraint management costs in excess of those which would have otherwise been incurred.

The net costs associated with constraint management actions are recovered from all Users via neutrality charges, and the ongoing release of all firm capacity (regardless of whether a capacity constraint is foreseen) may not result in the most efficient means of managing a capacity constraint for the industry as a whole.

Logically, making a product/service available to a counterparty which the seller foresees, at the time of sale it is not able to provide, and which it is then required to rectify, potentially at a premium cost (a cost which is borne principally by other parties), does not represent the optimal approach. Alternatively, limiting sales in the first instance to volumes that are expected to be available (and thus not incur any premium costs for other parties) is in our view the most efficient solution.

4 Code Specific Matters

Reference Documents

[UNC TPD Section B](#)

[SMPS \(version 11.0\)](#)

[EXR \(version 7\)](#)

[ExCR \(version 15\)](#)

NGT Licence available on the Ofgem Electronic Public Register ([EPR](#))

Knowledge/Skills

Knowledge of Capacity Release principles and System Management Principles would be beneficial.

5 Solution

This Modification seeks to include a requirement in TPD Section B3 for National Gas Transmission (NGT) to apply the System Management Principles in the course of the management of an ~~an Exit-C capacity C~~constraint at ~~Exit~~.

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

In the event that any additional constraint management costs (borne in part by Users) are ultimately recovered from consumers via supply charging then the preferred approach (as set out in this Proposal) to limit the extent of such costs which are incurred represents the best outcome for consumers.

What is the current consumer experience and what would the new consumer experience be?

NGT currently operates in accordance with ExCR and the SMPS and therefore withholds the release of Daily Firm NTS Exit Capacity where an Exit Capacity Constraint is foreseen. To the extent that this Proposal seeks to enhance alignment between the UNC provision relating to Exit Capacity and the ExCR and SMPS there would be no change between the 'current' and 'new' consumer experiences. Notwithstanding this, we would expect enhanced clarity of the approach NGT takes in such instances to result in the following benefits.

Impact of the change on Consumer Benefit Areas:

Area	Identified impact
Improved safety and reliability No impact	None
Lower bills than would otherwise be the case As set out above, whilst NGT currently operates in accordance with ExCR and the SMPS, the alternative approach (of releasing Exit Capacity in excess of expected capability) may result in additional costs of System Operation (borne by Users) which may ultimately recovered from consumers via supply charging.	Positive
Reduced environmental damage None	None

Improved quality of service	Positive
Enhanced clarity regarding the approach NGT will take to the management of Exit capacity constraints at Exit will provide a greater level of certainty for Consumers that the capacity made available on a Day Ahead or Within Day basis is at reduced risk of being subject to System Management Services actions undertaken by NGT pursuant to the SMPS.	
Benefits for society as a whole	None
None	

Cross-Code Impacts

None.

EU Code Impacts

None.

Central Systems Impacts

We do not believe there will be any impacts on Central Systems.

7 Relevant Objectives

Impact of the Modification on the Transporters' 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"> (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.	Positive
d) Securing of effective competition: <ul style="list-style-type: none"> (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
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The Modification furthers Relevant Objectives (a), (c) and (d), as follows:

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

The proposed changes in this Modification will enhance alignment between the UNC and ExCR/SMPS which will result in enhanced transparency of the arrangements in place to deal with management of an Exit Capacity Constraint at Exit. As set out above, the Proposer's view is that availability of the ability for NGT to withhold release of Daily Firm Exit Capacity represents the most efficient means of addressing a forecast or actual Exit Capacity Constraint. Implementation would therefore better facilitate the efficient and economic operation of the NTS (as compared with the current misalignment)

c) Efficient discharge of licensee's obligations

By aligning the UNC Exit Capacity arrangements with those capabilities set out in the ExCR and the SMPS implementation would further enable the efficient discharge of NGTs obligations under Special Conditions 9.18.1(b) and 9.19.9 of our Licence (i.e. to comply with the provisions of the ExCR and SMPS respectively).

d) Securing of effective competition between relevant Shippers;

Maintenance of the approach whereby an appropriate volume of Daily Firm Exit Capacity is withheld where an Exit Capacity Constraint is foreseen will minimise the costs of System Operation which are borne by all Users. Thus limiting the extent of such 'pass through' costs will secure effective competition between relevant Shippers.

8 Implementation

No specific timescale is proposed for implementation. As no changes to central systems are expected to be required, there is no lead time required for implementation from the Proposer's perspective.

9 Legal Text

Text Commentary

TBC.

Text

TBC

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.