














Draft UNC Modification		At what stage is this document in the process?
<h1>UNC 0XXX:</h1> <h2>The Treatment of Capacity at Combined ASEPs.</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>The EU TAR NC permits certain classifications of capacity to receive discounts (if approved by the NRA). This modification proposal seeks to differentiate between the various capacity classifications at Combined ASEPs so as to enable the relevant discounts to be applied to the eligible capacity.</p>		
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 20 July 2017 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>None</p>	
	<p>Low Impact:</p> <p>None</p>	

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Timetable			01926653956
The Proposer recommends the following timetable:			
Initial consideration by Workgroup	03 August 2017	Transporter:	
Workgroup Report presented to Panel	21 December 2017	Colin Hamilton	
Draft Modification Report issued for consultation	21 December 2017		
Consultation Close-out for representations	01 March 2018	colin.j.hamilton@nationalgrid.com	
Final Modification Report available for Panel	05 March 2018		
Modification Panel decision	15 March 2018	01926653423	
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1 Summary

What

This modification proposal seeks to introduce a mechanism to identify capacity classifications, in order to be able to apply relevant discounts within combined ASEPs.

Why

The current methodology for calculating capacity charges is based on the points as they are given in the license. The introduction of the EU Tariff Code, Article 9 states that there will be discounts allowed for certain capacity classifications. Where there are combined ASEPs, with different capacity classifications, there is a need to be able to differentiate between those capacity classifications and the capacity associated with them.

How

The proposed solution shall enable National Grid to be able to differentiate between the different capacity classifications so as to identify capacity that is eligible for any discount. National Grid proposes to:

- Split any combined ASEP and create new points that are eligible for any discount.

Or

- Keep the ASEP whole but have a methodology to identify capacity associated with classifications eligible for the discounts.

2 Governance

Justification for Authority Direction

Self-Governance procedures are not proposed because this Modification will be changing the methodology applicable at ASEPs with different capacity classifications. If implemented, it is likely to have a material impact on the allocation of charges across NTS Network Users.

Requested Next Steps

This modification should:

- be assessed by a Workgroup

3 Why Change?

National Grid has an obligation to be compliant with the EU Tariff Code, and under the EU Tariff Code there are discounts that are to be applied to some specific capacity classifications. The Tariff Code states that in order to avoid double charging for transmission to and from storage facilities, a minimum discount acknowledging the general contribution to system flexibility and security of supply of such infrastructure should be set. Article 9 of the EU Tariff Code states that the level of discount to be applied to capacity-based transmission tariffs at entry points from and exit points to storage facilities, to avoid such double charging, shall be at least 50%. The EU Tariff Code will allow discounts to standard capacity products to be applied to LNG entry points and to infrastructure that avoids isolation of the network. In order to apply

any relevant discount, provided for in the charging methodology (and approved by the Regulator), it is necessary to be able to identify the different capacity classifications to eligible capacity holdings.

The NTS currently have some points that are combined ASEPs which means they comprise of more than one capacity type. The proposed change is aimed at helping differentiate between the different capacity types so as to apply any relevant discounts to eligible capacity.

4 Code Specific Matters

Reference Documents

EU Tariff Code, Article 9

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

Uniform Network Code (UNC) Section Y:

http://www.gasgovernance.co.uk/sites/default/files/TPD%20Section%20Y%20-%20Charging%20Methodologies_29.pdf

Knowledge/Skills

An understanding of the Article 9 of the EU Tariff Code

5 Solution

This modification is proposing to come up with a mechanism that enables National Grid to be able to differentiate between the different capacity types so as to identify capacity that is eligible for the discounts. National Grid proposes to:

- Split any combined ASEP and create new points that are eligible for any discount.

Or

- Keep the ASEP whole but have a methodology to identify capacity associated with classifications eligible for the discounts.

For the avoidance of doubt the actual levels of any discounts will be dealt with in UNC 0621.

6 Impacts & Other Considerations

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

N/A

Consumer Impacts

There is likely going to be impact on the combined ASEPs and how this will impact them is going to be developed as this modification proposal develops.

Cross Code Impacts

None

EU Code Impacts

This modification proposal is aimed at facilitating the aim of the EU Tariff Code.

Central Systems Impacts

To be discussed during the development of this modification proposal, but it is anticipated that there will be impacts on Gemini

7 Relevant Objectives

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.	Positive

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.

Demonstration of how the Relevant Objectives are furthered:

- b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account developments in the transportation business.

The proposal solution takes into account developments which have taken place in the transportation business, in particular the introduction of discounts for certain classification of capacity introduced by the EU Tariff Code.

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 the proposed solution takes into account developments which have taken place in the transportation business, in particular the introduction of discounts for certain classification of capacity introduced by the EU Tariff Code.

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.

The EU Tariff Code compliance is in this modification proposal.

8 Implementation

No implementation timescales proposed at the moment, these will be discussed within the workgroups

This modification and the resulting methodology change will take effect for prices from October 2019, in order to achieve compliance with the EU Tariff Code.

9 Legal Text

Text Commentary

To be provided later

Text

To be provide later

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Refer this proposal to a Workgroup for assessment.