

UNC 0671:

Relief from User Commitment obligations when NTS exit capacity substitution is permitted



Guidance: *These slides are meant to provide a brief overview for the UNC Panel, to introduce what is trying to be achieved, to help them understand and decide the best process to be followed for new modifications. Please aim to be as brief as possible and not justify nor make the case for the Modification.*

Notes are provided in italics and if this template is being used should be removed.

The Joint Office is available to help and support the drafting of any modifications, including guidance on completion of the Modification template and the wider modification process. Contact: enquiries@gasgovernance.co.uk or 0121 288 2107.

Proposer: Bethan Winter

Panel Date: 18th October 2018

Why change?



- Capacity Substitution and User Commitment was introduced for NTS Firm Exit Capacity (Annual and Enduring) in April 2009
- Substitution benefits GDNs and NTS because it leads to more efficient outcomes in response to price signals
- However if there was a User Commitment at the donor NTS offtake this remains when the capacity is substituted to the recipient NTS offtake which may also require a User Commitment
- This modification proposes to substitute the User Commitment (where one exists) along with the capacity

Options



- **No change**

- This potentially prevents efficient substitution as the GDN could have User Commitments remaining at the donor NTS offtake and also acquire a new one at the recipient NTS offtake

- **Amend NTS Exit Capacity Release Methodology Statement**

- This might be easier than a modification but
- Document controlled by NTS as it is produced under a licence obligation not a UNC obligation so we only have indirect input into it and cannot raise change proposals; however UNC takes precedence so a UNC change can effectively force a change
- Issue raised in WWU response to May 2017 consultation



Solution



- Allow User Commitments to move when capacity is substituted subject to the increase in capacity at the recipient NTS not requiring NTS investment
- NTS to reduce baseline at the donor NTS offtake equal amount to increase at recipient NTS offtake
- Applies to GDNs, Shippers and NTS direct connects
- For avoidance of doubt where there is no User Commitment at the donor NTS offtake this would not relieve the requirement for one at the recipient NTS offtake should Incremental Obligated Exit Capacity be required

Recommended Steps



- The Proposer recommends that this modification should be:
 - Not subject to self-governance because it is likely to have a material effect on both:
 - commercial activities associated with the transmission of gas through pipes (Self Governance criterion bb)
 - By allowing DNOs to respond to price signals and by allowing them to respond to customer requirements
 - and on the operation of one or more pipeline systems (Self Governance criterion cc)
 - By allowing DNOs to change flows around integrated networks it provides flexibility in meeting requirements of flexible generation and biomethane injection
 - Workgroup assessment to develop the modification for 4 months
 - Implemented by 1st July 2019 so it is in place for the 2019/20 Gas Year exit capacity allocation process