

UNC 0662: Revenue Recovery at Combined ASEPs.



Transmission Workgroup

05 July 2018

Mod UNC 0662: Revenue Recovery at Combined ASEPs

- Aims to deal with potential asymmetry of treatment between historical capacity at storage sites and historical capacity procured for storage purposes within ASEPs with mixed entry sources
- Mod aims to exempt historic “storage capacity” at combined ASEPs from the capacity based revenue recovery charge that may arise from UNC 0621

Mod UNC 0662: Revenue Recovery at Combined ASEPs

- Proposed timetable:

- Initial consideration by workgroup **05 July 2018**
- Workgroup Report presented to Panel **18 April 2019**
- Draft Modification Report issued for consultation **19 April 2019**
- Consultation Close-out for representations **21 June 2019**
- Final Modification Report available for Panel **25 June 2019**
- Modification Panel decision **18 July 2019**

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**This Mod shall not be submitted back to
Panel until there is certainty on UNC
0621.**

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- **Transmission Services revenue recovery mechanism:**
 - **IPs:** Capacity based at IPs from **Oct'19**
 - **Non-IPs:**
 - Flow based at non-IPs **Oct'19** to **Sept'21**: Storage sites exempt
 - Capacity based at non-IPs from **Oct'21**: Historical Contracts for Storage sites exempt (or all Historic dependent on alternate)

Why is there an issue at Combined ASEPs?

- Rules for storage arising from 0621 can only apply to points identified as storage points in the Transporters' Licence
- Storage sites within ASEPs will not be “recognised” as storage points with respect to exemption of capacity based revenue recovery charges

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- The proposed solution shall retain the fungibility of existing allocated capacity
 - With respect to the nature of the capacity it shall not be “split out”, “relabelled” or restricted in its use in any way
- Mod shall focus only on the calculation of any capacity based revenue recovery charge
 - In particular the parameter of “*fully adjusted available entry capacity*”
- It is aimed that this Mod shall be implemented along with 0621 with an implementation date of **1 October 2019**.
- To ensure delivery, the possibility of such a Mod has been incorporated into the EU/GB Change Project that shall deliver UNC 0621 (or its alternate)

Mod UNC 0662: Revenue Recovery at Combined ASEPs

- The proposed Mod has two main parts:
 - **Part 1:** What is the mechanism to exempt “storage capacity” from a capacity based revenue recovery charge at a combined ASEP?
 - **Part 2:** What is the process to identify such capacity that qualifies for exemption?

Part 1: Exemption Mechanism

- Under 0621 the proposed capacity based revenue recovery charge shall be based on “fully adjusted available capacity”
- Proposed solution in 0662 shall be based on an adjustment to the calculation of “fully adjusted available entry capacity” by including a new parameter of “***exempt quantity***”

Proposed Calculation for interim regime

$$F_{RR} = \max(0, (F_{adj} - \max(0, A - T_{out})))$$

Where,

- F_{RR} = User's fully adjusted capacity qualified for revenue recovery
- F_{adj} = User's net capacity entitlement (Registered capacity adjusted for transfers in and out)
- A = Exempt quantity as identified through an application and assessment process
- T_{out} = Net transfers out (trades, surrenders, buybacks, options etc..)

Example: $FRR = \max(0, (F_{adj} - \max(0, A - T_{out})))$

Registered	Transfers Out	Transfers In	Adjusted	Exempt	FRR
100	0	0	100	50	50
100	20	0	80	50	50
100	50	0	50	50	50
100	60	0	40	50	40
100	0	60	160	50	110
100	20	60	140	50	110
100	50	60	110	50	110
100	60	60	100	50	100
100	110	60	50	50	50
100	20	0	80	100	0
100	20	60	140	100	60

Part 2: Qualification for Exemption

- Identification of “***exempt quantity***” to be based on a shipper application process plus additional documented evidence of capacity booking requirement associated with storage site(*abandoned capacity*) or in a decommissioned site (*redundant capacity*) within the combined ASEP
- This shall be a transitional arrangement as PARCA should prohibit such situations in the future

How to identify “abandoned” capacity

- Main challenge is how to identify “abandoned” capacity.
 - In addition to shipper application some documentary evidence shall be required
 - One possible approach is to check against the existence of any Feasibility Study Agreements signed with National Grid and their associated Feasibility Study Reports for any unrealised storage projects.
 - National Grid may be able to map capacity booked for the purposes of derisking a prospective storage project with its Feasibility Report. (e.g. when allocation took place, quantities, duration....)

How to identify “redundant” capacity

- This is still to be determined
- Relevant documents may not be held by National Grid but by the relevant shipper

Part 2: Qualification for Exemption

- National Grid's view of how this process could work is still being developed.
- Challenge here is that the market must be satisfied that there is a fair process in place
- Two possible approaches are:
 - National Grid does an initial determination that is subjected to an independent scrutiny/audit process
 - National Grid is fully responsible for the determination but the outcome can be challenged which would then trigger an appeals process involving independent scrutiny/audit

national**grid**