

Gas System  
Operator

# UNC0678 Updates

Workgroup  
28 March 2019

nationalgrid



# UNC0678 – National Grid updates

Area	Summary	When
Modification UNC0678	<p>Updated modification (including the FCC Methodology)</p> <p>FCC Methodology published separately for information in addition to modification</p>	<p>15 March (Version 3.0)</p> <p>20/21 March (Version 4.0)</p>
Legal Text for UNC0678	Version of legal text for UNC0678 to al	15 March
UNC0678 Sensitivity Model	Updated and published – populated with indicative FCC	<p>15 March (Version 3.0)</p> <p>20/21 March (Version 3.1)</p>
Supporting Analysis and Data provision	<p>Analysis based on UNC0678 and data extracts for a range of scenarios to help illustrate sensitivities</p> <p>Includes supporting FCC data</p>	15 March & updated to align with sensitivity model 3.1 on 20/21 March
Review of Existing Contracts	“A review of Existing Contracts, in line with the views set out in our UNC621 decision letter. This should include analysis on price differentials and set out options in terms of compliance and proportionality”	Not yet published

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# UNC0678 Updates Modification

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# UNC0678 – Updated Modification Version 3.0 (from v2.0)

- A high level summary of the changes between Version 3.0 of the UNC0678 Modification compared to version 2.0
- Section 3 - Why Change Section
  - Revenue allocation clarification included
  - Update Effective date text
  - Updated FCC text to provide additional clarity
- Section 4 – Code Specific Matters
  - Updates to definitions of CWD and Effective Date and small updates for clarity.

# UNC0678 – Updated Modification Version 3.0 (from v2.0)

- Section 5 – Solution
  - Revenue allocation clarification included to highlight capacity revenue allocation
  - Text for profiling factors to account the tariff year not aligning with regulatory (formula year) updated
  - FCC updated text and link to methodology included as Appendix 2
  - Effective date text updated to clarify “mid” gas year treatment
- Section 6 – Consumer impacts
  - Additional text included

# UNC0678 – Updated Modification Version 3.0 (from v2.0)

- Section 7 – Relevant Objectives
  - Additional text provided under Relevant Charging Methodology Objectives (c), (b) and (e)
- Section 8 – Implementation
  - Updated text to align with effective date throughout modification
- Added Appendix 2 The FCC Methodology
- Added Appendix 3 Summary Analysis

# UNC0678 – Updated Modification Version 4.0 (from v3.0)

- Updated Section 13: Appendix 3 Summary Analysis
  - Updated this appendix to bring in the updated values published 20/21 March.
- No changes made to any other section of the proposal
  
- Modification available here:
  - <https://www.gasgovernance.co.uk/0678>

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# UNC0678 Updates: FCC Methodology

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# UNC0678 – FCC Methodology

- As part of developing the FCC methodology one challenge raised in the workgroups was if the GDN offtakes should be considered separately in an approach to other offtakes due to the nature of how GDNs book capacity.
- Action “01-0403 - DNs to liaise with National Grid to ensure the booking data within the Forecasted Contracts Capacity (FCC) Model is accurate.”
  - Part of this action was linked to whether the GDN’s nature of capacity bookings and the 1 in 20 obligation in some way should feature when considering the FCC methodology
- GDNs have a Licence requirement to a certain level across the network. All bookings seen on the NTS are point specific.
- The better the predictability and stability for the GDN offtakes it means that it provides greater certainty around that large % of revenue attributable to GDNs which arguably is therefore better for all other Exit Users.

# UNC0678 – FCC Methodology

- Through conversations with the GDNs an appropriate value was agreed on that would best suit the aims of the charging approach such that:
  - Charges levied on capacity will be as close to forecast as possible
  - As GDNs make up the larger % of Exit charges under 0678 it is important to take note of the GDN booking approach so that the capacity on which charges are calculated should be as close as possible (known at the time of calculation) the anticipated bookings. This would be to the benefit of the overall methodology.
- View taken that Y-1 non zero priced capacity is a solid forecast for the forthcoming year. It will cover the vast majority of capacity expected from the GDNs.
- Other offtakes would be less likely to have the same approach to bookings whereby overall bookings are linked to a broader principle. GDNs book to a certain level in order to fulfil Licence requirements. No other User has this requirement.
- Therefore it is, we believe, sensible and beneficial to have a separate approach for GDN offtake capacity forecasts as far as the FCC methodology is concerned.

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# UNC0678 Updates Legal Text

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# UNC0678 – Legal Text

- Legal text to cover:
  - Legal Text Document (changes to sections other than those covered in Annexes A, B and C)
  - Annex A (UNC TPD B changes)
  - Annex B (UNC TPD Y changes)
  - Annex C (Transition Document changes)
- Published on the Joint Office website:
  - <https://www.gasgovernance.co.uk/0678/text>

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# UNC0678 Updates: Sensitivity Model and Supporting Analysis

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# UNC0678 – Updated Sensitivity Model v3.0

- Version 3.0 of the 0678 CWD sensitivity model published 15 March
  - Updated to accommodate indicative FCC numbers
  - Model Use and Assumptions worksheet added

# UNC0678 – Updated Sensitivity Model v3.1

- Version 3.1 of the 0678 CWD sensitivity model published 20/21 March
  - Updated to accommodate a small number of changes to PARCA values
  - A few minor updates to text in the Model Use and Assumptions worksheet
- To be wholly transparent, the analysis was republished based on these small updates along with an illustration of the materiality between the input changes based on the PARCA value to show the low level of materiality
  - Options to update could have been a post modelling update to show materiality of change
  - To better support the workgroup, we chose to update the model & analysis to provide a better and more transparent data set, even if changes were minor.

# UNC0678 – Analysis / Data produced

- Data set for seven years
  - Current plus six years indicative numbers modelled from the sensitivity tool for a range of scenarios
    - Current - Actual published prices under the prevailing methodology (17/18 only)
  - Six years for each of:
    - Prices as per UNC0678 - adjusted for Interruptible and Storage
    - Prices as per UNC0678 - unadjusted. Not adjusted for Interruptible and Storage
    - Prices as per UNC0678 - assuming no interruptible, pricing all forecast capacity as firm. Prices adjusted for Storage
    - Prices as per UNC0678 - assuming no interruptible, pricing all forecast capacity as firm. Prices unadjusted. Not adjusted for Storage.

# UNC0678 – Analysis / Data produced

- Revenue Distribution comparison from current to those presented as indicatives under 0678 CWD
  - Showing the potential changes to revenue distribution across the different Entry and Exit point types
  - Small changes to the 17/18 Exit data were made 20/21 March
  - Revenue values re-run based on 3.1 of the sensitivity model
- FCC Data that informed the indicative FCC values following the FCC methodology that are populated into the 0678 sensitivity model
  - Updates available on 20/21 March were limited to a small number of Exit points and only those with PARCAs.
- Analysis populated specific to 0678 into appendix 3 of the modification

# UNC0678 – Analysis / Data produced

- Analysis available here:
  - <https://www.gasgovernance.co.uk/0678/Analysis>
- Sensitivity model and summary of indicatives run based on the scenarios mentioned earlier, including the indicative FCC data, available here:
  - <https://www.gasgovernance.co.uk/0678/Models>

# UNC0678 – Additional information linked to WG discussions

- Additional information related to FCC requested in WGs
  - Some parties asked for historical capacity sold values averaged across 5 years (removing highest and lowest) – this has previously been provided through the WGs
  - Some parties asked for historical flow values averaged across 5 years (removing highest and lowest)
- Data provided for information
  - <https://www.gasgovernance.co.uk/0678/Models>

# UNC0678 – NTS Optional Charge

- Analysis to cover NTS Optional charge and initial review of those modifications that include an NTS Optional Charge:
  - <https://www.gasgovernance.co.uk/0678/Analysis>