














UNC Final Modification Report	At what stage is this document in the process?
<h1>UNC 0761:</h1> <h2>Arrangements for Interconnectors with additional Storage capability</h2>	<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>Purpose of Modification:</p> <p>This Modification proposes changes to the Uniform Network Code (UNC) to incorporate additional commercial arrangements for the operation of Interconnectors with additional storage capability.</p>	
	<p>Panel consideration is due on 20 January 2022</p>
	<p>High Impact: Interconnectors</p>
	<p>Medium Impact: Shipper Users, Storage Facilities</p>
	<p>Low Impact: None.</p>

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Timetable		 0121 288 2107
Modification timetable:		Contact: Joint Office of Gas Transporters
Initial consideration by Workgroup	01 April 2021	 enquiries@gasgovernance.co.uk
Workgroup Report presented to Panel	21 October 2021	 0121 288 2107
Draft Modification Report issued for consultation	22 October 2021	Proposer: Phil Lucas National Grid NTS
Consultation Close-out for representations	19 November 2021	 phil.lucas@nationalgrid.com
Final Modification Report available for Panel	22 November 2021	 07825 592518
Modification Panel recommendation	16 December 2021	Transporter: National Grid NTS
Final Modification Report issued to Ofgem	16 December 2021	 phil.lucas@nationalgrid.com
Final Modification Report returned to Workgroup	16 December 2021	 07825 592518
Final Modification Report available for Panel	10 January 2022	Systems Provider: Xoserve
Modification Panel recommendation	20 January 2022	 UKLink@xoserve.com

1 Summary

What

National Grid NTS has been informed by the operator of an Interconnector currently connected to the NTS (an 'Interconnector Operator' or 'IO') that it intends to offer an additional storage service to Shipper Users whereby gas may be offtaken from the NTS, stored in its system and subsequently be delivered back to the NTS. Concurrently, the Interconnector would be available for its existing use as a means of transporting gas to or from a Transmission System other than the NTS.

Existing UNC terms set out commercial arrangements for the delivery of gas to and from the NTS at Interconnectors and (at separate points) Storage Facilities. However, no such arrangements are included to facilitate the delivery of gas to and from the NTS at Interconnectors with additional Storage capability.

Why

As some aspects of the Transportation Charging arrangements for capacity and associated gas flows at Interconnection Points (IPs) differ with those in place for capacity and associated gas flows at Storage Connection Points, it is necessary to modify the UNC to include additional commercial arrangements to enable application of the correct Transportation Charges at Interconnectors able to offer an additional Storage service to their customers.

How

It is proposed that the UNC is modified to establish the necessary commercial arrangements where an IO elects to offer an additional Storage Service. Such arrangements will only be applicable in respect of Interconnectors that can physically flow gas in both directions. Such revisions seek to:

- set out the point definitions for Interconnectors (with additional storage capability) connected to the NTS;
- set out the determination of daily quantities of the following (at such facilities) in order to facilitate the correct application of Transportation Charges in respect of:
 - entry and exit capacity used for storage;
 - gas flow (UDQI and UDQO) to and from storage.
- set out rules for the application of Capacity Overruns at such facilities;
- set out the rules regarding Nominations and application of Scheduling Charges at such facilities;
- set out rules for the allocation of gas to Users at such facilities;
- set out the Charging Arrangements for transportation services in respect the use of such facilities; and
- set out the treatment of such facilities for the purposes of the management of Emergencies.

2 Governance

Justification for Authority Direction

This Modification Proposal is recommended to be sent to the Authority for direction as it is likely to have a material effect on commercial activities relating to the shipping, transportation and supply of gas because, if

implemented, it will establish a framework for a new 'dual purpose' point on the NTS and enable the appropriate Transportation Charges to be levied in respect of capacity and gas flows at such points.

Requested Next Steps

This Modification should:

- be considered a material change and not subject to Self-Governance;
- be assessed by a Workgroup for a period of 6 months.

3 Why Change?

National Grid NTS has been informed by the operator of an Interconnector currently connected to the NTS that it intends to offer an additional storage service to GB shippers (Users) whereby gas may be offtaken from the NTS, stored in its system and at a subsequent point in time be delivered back to the NTS. Concurrently, the Interconnector primary purpose would be for conventional use for the transportation of gas to or from a Transmission System other than the NTS.

Aspects of the Transportation Charging arrangements for capacity and associated gas flows at IPs differ with those in place in respect of capacity and associated gas flows at Storage Connection Points. The prevailing Transportation Charging Methodology provides that:

- the **Transmission Services Capacity** Reserve Price and **Revenue Recovery** Charge rate¹ for Storage Connection Points are subject to a Specific Point Discount, currently 50%. Following Ofgem's direction to implement Modification 0727 '*Increasing the Storage Transmission Capacity Charge Discount to 80%*' this discount will increase to 80% from 01 October 2021.
- gas flows to and from Storage Connection Points (except 'own use' gas) are exempt from the **General Non-Transmission Services** charge.

In order to correctly apply the above Transportation Charge principles, it is necessary to modify the UNC to include additional commercial arrangements applicable for Interconnectors with the described additional Storage capability, to enable the Connected System Point to be designated as an IP and a Storage Connection Point (SCP).

The new arrangements will only be applicable in respect of Interconnectors that can physically flow gas in both directions. The definition of Storage Facility in the UNC (TPD R1.2.1(a)(iii)) describes a facility where "...gas is offtaken from the Total System..." and "...stored gas..." is subsequently "...delivered to the Total System". National Grid's interpretation is that gas 'offtaken' and 'delivered' refers to physical delivery as described in TPD Section J and I.

Whilst recognising that concurrent operation of both conventional 'interconnector transportation' and 'interconnector storage' functions may enable the IO to limit physical flows to a 'net' volume in the relevant flow direction, the IO nevertheless has the *capability* to physically flow in both directions. This enables the correct volumes of gas to be flowed even if there are zero transportation flow volumes on a particular day.

In principle, this is no different to a conventional Storage Facility which is only required to flow a net volume in the relevant direction where on a day (for example) one User wishes to withdraw 10 units of gas from storage

¹ The implementation of Modification 0729 from 01 October 2021 will additionally apply the Specific Point discount (applicable for Storage) to the Transmission Services Revenue Recovery Charge rate.

whilst a different User wishes to inject 20 units of gas into storage. In this case the storage operator is only required to physically inject 10 units of gas into its facility.

Extension of the applicability of the proposed arrangements to Interconnectors who can only offer 'virtual' reverse flow does not align with the definition of Storage Facility in respect of physical flows. Further, such a facility would be unable to physically respond to the commercial needs of its customers if there are zero transportation volumes on a given day and the net storage flows are required in the 'virtual' (non-physical) direction. Hence this proposal limits the arrangements to Interconnectors with capability to physically flow in both directions.

Benefits to the GB Market

Facilitating the availability of additional storage capability connected to the NTS will increase the options available to Users (for the avoidance of doubt, those in GB only) when seeking such a flexibility service, thereby better facilitating competition between those shippers (UNC Relevant Objective (d)). Such a service creates additional optionality for Shipper Users to accommodate temporary market fluctuations and provide assistance with balancing. These benefits help better facilitate the GB market's Security of Supply and have the potential to lower balancing costs.

The solution takes effect in respect of any Interconnector SCP on the NTS where a Storage Connection Agreement is in place between National Grid NTS and the relevant IO. Such arrangements also support the efficient and economic operation of the combined pipeline system and the pipeline system of an IO, furthering UNC Relevant Objectives (a) and (b).

Principle

The prevailing UNC separately defines an IP and a Storage Connection Point, therefore the UNC will need to be modified to make provision for the operation of Storage within a bi-directional Interconnector and for the proposed commercial arrangements to apply in respect of this Storage service. The availability of the UNC terms related to the Storage service at the relevant IP would be contingent on the establishment of Network Exit Provisions and a Network Entry Agreement (between National Grid and the relevant Interconnector Operator) as per the existing requirements of TPD I1.3.1 and TPD J1.5.2.

Precedent

A new 'dual purpose' point (i.e. IP and Storage Connection Point) will need to be reflected in the relevant commercial and regulatory arrangements. This would be the first such 'dual usage' point on the NTS.

However, a similar 'dual purpose' facility in Europe is the Etzel storage facility in Germany which is connected to both German and Dutch Transmission Systems. In this case, the primary purpose of the facility is storage with the additional option to utilise the facility for the purposes of transportation between the two Transmission Systems.

At this facility the Shipper makes an ex-ante decision as to the purpose of the flow (i.e. storage or transportation) with two accounts being maintained for each User; one for storage (attracting the relevant discounted charges) and the other for transportation (attracting the standard charges).

Storage in an Interconnector – Application of a Discount

The appropriateness of discounted capacity charges for gas entering or exiting a Storage Facility was recognised by Ofgem in its Minded to Decision in respect of Modification Proposal 0678 and its Alternatives²:

“When gas enters and exits from the NTS and also enters and exits from a storage facility on route, it could pay entry and exit tariffs for both the NTS and the storage facility. Absent a discount, a fixed amount of gas that uses storage on the NTS could be paying twice as much for cost recovery of the NTS system than the same amount of gas which simply traverses the system. In order to avoid this ‘double charging’ of gas using storage, we therefore consider a discount of at least 50% for storage entry and exit capacity to be appropriate.”

As noted, Ofgem has subsequently directed the implementation of Modification 0727 which will increase this discount to 80%. In its decision letter, Ofgem commented:

“Storage can improve the efficiency of system operation and reduce operating costs by providing additional pressure to the system. The Proposer argues that storage provides a benefit to the transmission system in terms of avoided investment in additional capacity. We agree that there is merit in these arguments. We consider that the proposed higher storage discount would facilitate the continued contribution of storage to the efficient and economic operation of the pipe-line system”.

The nature of the service that will be offered by an IO which enters into a Storage Connection Agreement will, in line with other Storage Facilities connected to the NTS, allow Users to offtake gas from the NTS, to store such gas (in this case within the IO’s Storage Facility) for an agreed period and then subsequently deliver an equivalent volume back to the Total System. This characteristic is consistent with the existing UNC definition of a Storage Facility therefore it is appropriate that associated capacity and gas flows are subject to the relevant rules in the Charging Methodology which apply in respect of other Storage Facilities.

UNC Arrangements – Capacity Principles

No distinct ‘storage capacity’ product will be made available to Users by National Grid NTS at the relevant IP. Alternatively, the bi-lateral arrangements in place between National Grid NTS and the relevant IO will provide for the IO to inform National Grid NTS of the quantity of each User’s Entry Capacity or Exit Capacity at the IP (for a relevant day) that should, *ex-post*, be classified as being used for storage.

In order to ensure that each User has sufficient NTS capacity to be classified as Storage, and that only the capacity intended to be utilised for Storage Purposes obtains the appropriate discount, the actual quantity of a User’s capacity at the Interconnector SCP that the Storage Specific Point Discount will be applied to (for the relevant day):

- in the case of Entry, will be equal to the lesser of:
 - the User’s IO-specified storage Entry Capacity quantity for that User;
 - the User’s Registered NTS Entry Capacity (excluding Existing Registered Holdings); and
 - the User’s storage gas Entry allocation.
- in the case of Exit, will be equal to the lesser of:
 - the User’s IO-specified storage Exit Capacity quantity for that User;

² www.ofgem.gov.uk/publications-and-updates/uniform-network-code-unc621abcdefghijkl-amendments-gas-transmission-charging-regime - see paragraph 4.52

- the User's Registered NTS Exit Capacity; and
- the User's storage gas Exit allocation.

Registered NTS Capacity 'Cap'

This has been included to ensure that the maximum quantity of NTS capacity which can be subject to the Specific Capacity Discount is the quantity of NTS capacity that the User has registered at the relevant IP and which has not been used for the purposes of transportation by the IO. This excludes any NTS capacity the User has registered that is classified as Existing Contracts for the reasons set out below (*'UNC Arrangements – Specific Capacity Rules'*).

We recognise that a User of a Storage (only) Facility obtains a discount on all of its Registered Capacity, however, at Interconnectors with additional storage, the proposed approach is that the capacity quantity that is subject to the Specific Capacity Discount for Storage is also capped at the User's Storage allocation quantity for the relevant day.

Whilst at Storage (only) Facilities, there is no alternative use of that capacity available/possible, and therefore no risk that unused capacity will be used for a 'non-discountable' purpose, this is not the case with Interconnectors with additional storage (the first 'dual purpose' point/s on the Total System) where the risk is present. A specific concern we have is that in absence of storage allocation cap, there would be a commercial incentive for Users to procure additional 'surplus' IO storage capacity if the aggregate cost of this, and the discounted National Grid IP capacity, is less than the cost of any residual un-discounted IP capacity.

We believe the flexibility at such IPs warrants the variation in treatment to ensure no utilisation of unused discounted storage capacity for transportation and to prevent unused capacity at the IP attracting the storage related NTS charges. We note that any such residual capacity would be available for transportation (non-storage) purposes and is therefore justifiably priced at the non-discounted capacity charge. This is also consistent with the principle that Transportation remains the primary purpose of an Interconnector offering a supplementary storage service.

We believe this risk is similar in principle to the risk identified by Ofgem in its Impact Assessment³ (and reflected in its final decision⁴) for Modification Proposal 0728C (*'Introduction of a Capacity Discount to Avoid Inefficient Bypass of the NTS'*) where the risk of the application of a discount to a transportation route, other than one which qualifies for such a discount, was discriminatory. In this case we consider that in absence of a cap equal to the quantity of gas allocated to storage there is a risk capacity other than that intended for storage use will obtain a discount.

UNC Arrangements – Specific Capacity Rules

Capacity classified as:

- Existing Contracts (i.e. Entry capacity procured by a User prior to 6th April 2017) is not able to be utilised for storage purposes at an IP.

Consistent with our views expressed in respect of UNC Modification Proposal 0737 (*'Transfer of NTS Entry Capacity from a Capacity Abandoned ASEP'*) we believe that the effect of Article 35 of the EU Tariff Code (now incorporated into UK legislation as Retained EU Law) is to freeze the terms and

³ See [here](#). Specifically question 4 for respondents and para 3.34 "We [Ofgem] consider that UNC728C carries the risk that the discount may not be used as intended".

⁴ See [here](#). Specifically page 15, para 2 "...UNC728C carries the risk that the discount may not be used as intended by its proposer because it is conceivable that a user may book discounted entry and exit capacity under UNC728C and then use either or both of these for a route other than the one identified as being at risk of bypass..."

conditions applicable to that capacity, such conditions include the intended purpose of the capacity at the time of booking. Such capacity booked at IPs was procured for the solely for the purposes of transportation between the points at either end of the pipeline and was only envisaged as being for this purpose.

Further, limiting the capacity able to be utilised for storage at such IPs as described will ensure that all Users opting to utilise such a facility are subject to the equivalent Reserve Price for capacity thereby facilitating competition between those Users. Additionally, from an implementation perspective this would negate the need for National Grid to track the status of capacity (Existing Contracts or non-Existing Contract) in order to apply the Specific Capacity Discount to the correct payable price for capacity.

- All other capacity (other than Existing Contracts) including capacity acquired/allocated to a User *prior* to the implementation of this Proposal but after 6th April 2017 is able to be utilised for storage purposes at an IP.

Whilst it can be also be concluded that capacity already allocated at an IP (*excluding* Existing Contracts) was equally only ever procured in the expectation of use for transportation purposes, there is no 'protection' in the EU Tariff Code in respect of such capacity holdings and therefore no apparent limitation on its use.

Where capacity is traded:

- in the case of Capacity Assignment under UNC TPD B6 (where the Assignee User becomes liable for all associated payments), as the Assignee User is liable for all associated payments and obligations it is proposed that it will obtain a discount for any capacity classified as being for Storage use. The term Registered Capacity includes any Transferred System Capacity (B6.3.1) hence why this term is used in the determination of Capacity Quantities subject to the Specific Capacity Discount in the Solution; and
- in the case of Capacity Transfer under UNC TPD B5 (where the Transferor User retains the payment obligation in respect of that capacity), as the Transferor User is not the party utilising the capacity it will not obtain a discount for any IP Capacity classified as being for storage use. As this price is confidential, it is neither practical nor appropriate for the Transferor User to obtain a Transportation Charge discount for any capacity that is subsequently classified as being for storage use. The term Registered Capacity excludes any Transferred System Capacity (TPD B1.4(b)) hence why this term is used in the determination of Capacity Quantities subject to the Specific Capacity Discount in the Solution.

UNC Arrangements – Payable Price for Capacity

A User's Registered Capacity on a day may constitute Firm and Interruptible Capacity components. Therefore, in order to determine the payable price for capacity eligible for the storage discount it is necessary to identify whether the relevant capacity quantity is Firm or Interruptible (Interruptible Capacity is itself eligible for a 10% discount). This is proposed to be achieved by the application of a 'merit order' whereby Interruptible and Firm is applied to the services (i.e. Storage and Transportation) in a predetermined order.

The proposed merit order seeks to align any firm capacity to the transportation component given that the payable price for any capacity allocated as NTS Optional Charge 'Eligible Quantity' is determined on the basis of the relevant discount percentage applied to the *Firm* Reserve Price (regardless of whether the capacity is Firm or Interruptible).

UNC Arrangements – Storage Overruns

To ensure that a User is incentivised to procure sufficient exit capacity for each distinct service, determination of whether NTS Exit (Flat) Overrun Charges are payable will be made separately in respect of both the proposed

storage service and the existing transportation service. This is consistent with the application of exit overruns at Storage Connection Points and IPs.

To ensure that Existing Contracts are not utilised for Storage, a Storage Entry Overrun charge will be payable where a User's aggregate Available NTS Capacity (excluding Existing Contracts) that can be used towards storage at a relevant IP ASEP is less than its aggregate storage gas allocations at the same IP ASEP.

The prevailing Entry Overrun regime will remain in place. Therefore, on a day where for a User both an Entry Overrun and Storage Entry Overrun is payable, to ensure no duplication of Overrun charges at the ASEP, only the higher of the Entry Overrun charge and the Storage Entry Overrun charge will be payable by the relevant User.

UNC Arrangements – Daily Nominations

Users wishing to flow gas to or from an IO's storage service will be required to submit separate storage Gas Nominations quantities to National Grid NTS. Any gas intended to flow in respect of the existing transportation service are required to be specified net of the quantity intended for storage.

To ensure that National Grid and the relevant IO has a consistent view of each Users storage Gas Nomination quantities, these nominations will be subject to the Matching Procedures and Rules described in EID Section C1.5.2 and C2.3.

To maintain consistency with the rules in place for Scheduling Charges, Scheduling Charges at Entry will be determined at an ASEP level and at Exit, separately for transportation (on the basis of comparing the matched transportation nomination quantity and the transportation allocation) and for storage (on the basis of comparing the matched storage nomination quantity and the storage allocation).

The current arrangements set out in EID Section C3 provide for adjustment of Nomination quantities as a consequence of the occurrence of an Exceptional Event. Given that such adjustments will be actioned ahead of the ex-post categorisation of capacity at an IP as being for storage use (as Nominations are finalised by 03:00 on the Day), a proportionate adjustment of both a User's storage Gas Nomination and its transportation Gas Nomination will be applied ensuring that the sum of such does not exceed its Available IP Capacity.

UNC Arrangements – Allocations

Consistent with the allocation principles in place at other Storage Connection Points, gas flows related to storage will be allocated on the basis of a measurement determined by the IO. Hence an IO which offers a storage service is required to provide National Grid NTS with a daily Exit and Entry IP Storage Measurement that the IO has determined has flowed into, or out of, (respectively) its storage facility.

Therefore, in respect of

- flows into the IO's Storage Facility related to the IO's storage service (Exit Storage Allocations) the requirements of UNC TPD Section E3.2 will apply (provision of an Exit Allocation Statement for each relevant User with the aggregate of the Exit IP Storage Allocations specified being equal to the Exit IP Storage Measurement); and
- flows out of the IO's Storage Facility related to the IO's storage service (Entry Storage Allocations) the requirements of UNC TPD Section E2.1 will apply (provision of an Entry Allocation Statement for each relevant User with the aggregate of the Entry IP Storage Allocations specified and any Unclaimed Entry Allocation Statement, being equal to the Entry IP Storage Measurement).

The allocation principles in place for the transportation gas flows at the IP will remain unchanged i.e. on the basis of 'allocate as nominate' with an Operational Balancing Account in place.

UNC Arrangements – Charging

The determination of the quantity of a User's capacity to be classified as storage requires finalised storage gas allocations (being one component of the 'lesser of' three values calculation). As gas allocations are not closed out at Entry Points until the 15th calendar day of the following month, and at Exit Points until the 5th calendar day following the Gas Day, it is not possible to reflect the Specific Point Discount for storage in the capacity invoice issued to Users on around the fifth calendar day on the month following the Billing Period.

As a consequence all capacity at the IP will be invoiced to Users at the standard (i.e. non-discounted) Transmission Services Capacity charge rate in the Capacity Invoice issued in the month following the Billing Period (i.e. M+1). The Capacity Invoice issued in the month subsequent to this (i.e. M+2) will include an adjustment to reflect the application of the Specific Capacity Discount for Storage for the appropriate capacity quantities classified as being utilised for storage.

As the General Non-Transmission Services charges are invoiced to Users after the respective Close Out period for Entry and Exit, the exemptions from the General Non-Transmission Services charges for Storage Gas Allocations will be reflected in the commodity invoices issued in the month following the Billing Period.

UNC Arrangements – Emergencies

Given the need to maintain clarity and certainty in the process of dealing with Emergency scenarios (as set out in TPD Section Q), Interconnectors that offer an additional Storage will be treated, for the purposes of the management of Emergencies, solely as an Interconnector. This is consistent with the principle that transportation between two Transmission Systems (i.e. interconnection) remains the primary purpose of such pipelines.

4 Code Specific Matters

Reference Documents

Point classifications – [TPD A](#) / [EID A](#)

Storage – [TPD R](#)

Capacity rules – [TPD B](#) / [EID B](#)

Nomination rules – [TPD C](#) / [EID C](#)

Allocation rules - [TPD E](#) / [EID D](#)

Charging Methodology – [TPD Y](#)

Knowledge/Skills

Transportation arrangements (and broader commercial arrangements) at IPs / Interconnectors and Storage Connection Points / Storage Facilities.

5 Solution

Principle

It is proposed that the UNC is modified to make provision for the operation of Storage within an Interconnector and for the arrangements set out in this Proposal to apply in respect of this Storage service.

For the avoidance of doubt, the availability of the UNC terms related to the Storage service at the relevant IP are:

- limited to Interconnectors that can physically flow gas in both directions; and
- contingent on the establishment of Network Exit Provisions and a Network Entry Agreement (between National Grid and the relevant Interconnector Operator) as per the existing requirements of TPD I1.3.1 and TPD J1.5.2.

Capacity – Determination of Capacity Quantities subject to Specific Capacity Discount

It is proposed that at an Interconnector SCP for each day, a User's IP Storage Capacity Quantity (SCQ_d) (i.e. the quantity of capacity which is entitled to the storage Specific Capacity Discount) is determined (separately for Entry and Exit) using the following formula:

$$SCQ_d = \text{Min} (IPOC_d, IPRC_d, IPA_d)$$

where

$IPOC_d$ means the provisional IP Capacity quantity that should be classified as being for Storage use as specified by the IO to National Grid NTS for the relevant day for that User pursuant to the Storage Connection Agreement;

$IPRC_d$ means the quantity of the User's IP Registered Capacity on the relevant day excluding Existing Registered Holdings; and

IPA_d means the User's Storage UDQI or Storage UDQO for the relevant day.

For the avoidance of doubt, any capacity held by a User in excess of SCQ_d will not be subject to the storage Specific Capacity Discount.

Capacity Utilisation and Overruns

It is proposed that a User's IP Entry Capacity classified as Existing Available Holdings is not able to be utilised for storage at an Interconnector SCP.

It is proposed that in relation to a Day at an Interconnector SCP, NTS Exit (Flat) Overrun Charges are payable where:

- the User's Storage UDQO exceeds the User's Exit Storage Available Capacity (and the aggregate of all Users' Storage UDQO exceeds the sum of all Users' Exit Storage Available Capacity); and/or
- the User's Transportation UDQO exceeds the User's Exit Transportation Available Capacity (and the aggregate of all Users' Transportation UDQO exceeds the sum of all Users' Exit Transportation Available Capacity).

It is proposed that in respect of a User's NTS Entry Capacity at an IP for a day, a User will only be required to pay the higher of:

- a **System Entry Overrun Charge** in respect of the ASEP comprising the relevant IP and SCP determined as per TPD B2.12; and
- an **IP Storage Entry Overrun Charge** in respect of the ASEP comprising the relevant IP and SCP.

The IP Storage Entry Overrun Charge will be payable where the User's ASEP Entry IP Storage Allocation Quantity (i.e. withdrawal from storage) exceeds its ASEP Entry IP Storage Available Capacity Quantity. To determine this, the two values will be assessed as follows:

- ASEP IP Storage Available Capacity Quantity ($IPSAC_d$) is determined using the following formula:

$$IPSAC_d = \text{Min} \left(\sum IPOC_d, IPAC_d \right)$$

where:

\sum means the sum of the relevant quantities from all System Entry Points in the Aggregate System Entry Point;

$IPOC_d$ means the provisional Entry IP Capacity quantity that should be classified as being for Storage use as specified by an IO to National Grid NTS for the relevant day for that User; and

$IPAC_d$ means the quantity of the User's Entry IP Available Capacity at the Aggregate System Entry Point on the relevant day excluding quantities allocated via Existing Contracts.

- ASEP IP Storage Allocation Quantity ($IPSA_d$) is determined using the following formula:

$$IPSA_d = \sum SAQ_d$$

where

\sum means the sum of the User's Storage UDQIs from all System Entry Points in the Aggregate System Entry Point;

SAQ_d means the User's Storage UDQI at a [relevant System Entry Point].

The IP Storage overrun quantity is the amount by which the $IPSA_d$ exceeds $IPSAC_d$. The IP Storage Entry Overrun Charge is equal to the IP Storage overrun quantity multiplied by the values specified in TPD B2.13.3.

Capacity Payable Price

It is proposed that a User's Available Capacity Quantity will be allocated in the following order:

- Interruptible; then
- Firm.

It is proposed that the allocation of a User's Available Capacity Quantity (as specified above) will be applied to the individual 'usage components' in the following order:

- Storage; then
- Transportation.

Nominations

It is proposed that in respect of the storage service at a relevant Interconnector Storage Connection Point for each Day:

- Users will be required to submit separate DM Output Nominations in respect of the Storage Connection Point which constitutes a Connected System Exit Point (as per TPD C2.2.1(a));
- Users will be required to submit separate DM Input Nominations in respect of the Storage Connection Point which constitutes a System Entry Point (as per TPD C3.2.1); and
- the DM Output Nominations and DM Input Nominations submitted in line with the above requirements will be subject to the same Matching Procedures and Rules in place at the relevant IP as per EID C1.5 and described in EID C

It is proposed that in respect of the transportation service at a relevant Interconnector IP for each Day:

- Users will be required to submit separate DM Output Nominations in respect of the IP which constitutes a Connected System Exit Point (as per TPD C2.2.1(a) and EID C2);

- Users will be required to submit separate DM Input Nominations in respect of the IP which constitutes a System Entry Point (as per TPD C3.2.1); and
- for the avoidance of doubt, the DM Output Nominations and DM Input Nominations submitted to the above requirements will be subject to the Matching Procedures and Rules in place at the relevant IP as per EID C1.5.

It is proposed that any adjustments required to nominations as a consequence of the occurrence of an Exceptional Event as set out in EID C3.1 and C3.3 will be applied via a proportionate adjustment of both a User's storage Gas Nomination and its transportation Gas Nomination.

It is proposed that in respect of Scheduling Charges at a relevant joint IP and Storage Connection Point for each Day:

- the determination of Input Scheduling Charges for each User at an Aggregate System Entry Point will take account of the following:
 - DM Input Nominations for both the Storage Connection Point and the IP will be included in the Scheduling Input Nomination Quantity described in TPD F3.2.1(a); and
 - the UDQIs for both the Storage Connection Point and the IP will be included in the Input Scheduling Quantity as described in TPD F3.2.1(b);
- the determination of Output Scheduling Charges for each User will be assessed for each (i.e. the Storage Connection Point and the IP will individually constitute Output Scheduling Points for the purposes of TPD F3.3.1(a)(ii)) and accordingly:
 - DM Output Nominations for the Storage Connection Point and the IP will be classified as separate Scheduling Output Nominated Quantities for the purposes of TPD F3.3.2(a)(i); and
 - the UDQOs for the Storage Connection Point and the IP will be classified as separate Scheduling UDQOs for the purpose of TPD F3.3.2(b).

Allocations

It is proposed that in respect of the storage service at a relevant Interconnector Storage Connection Point for each Day:

- the Entry Point Daily Quantity Delivered will be provided to the Transporter by the IO (as the Storage Operator) as per the Measurement Provisions in the relevant Network Entry Provisions (as referred to in TPD I2.5.3);
- each relevant User must submit an Entry Allocation Statement as per TPD E2.1.2 which will determine each relevant User's UDQI;
- the CSEP Daily Quantity Offtaken will be determined in accordance with the CSEP Network Exit Provisions; and
- each relevant User must submit an Exit Allocation Statement as per TPD E3.2.2 which will determine each relevant User's UDQO.

It is proposed that in respect of the transportation service at a relevant Interconnector IP for each Day:

- the Measured Quantity (which is subject to the allocation provisions of EID E2 and E3) will exclude the Entry Point Daily Quantity Delivered and CSEP Daily Quantity Offtaken determined in respect of the storage service for the same Day;
- on an OBA day:

- the UDQI for each relevant User will be determined as per EID E2.1.1(b);
 - the Entry Point Daily Quantity Delivered will be determined as per EID E2.1.1(c);
 - the UDQO for each relevant User will be determined as per EID E2.2.1(b); and
 - the CSEP Daily Quantity Offtaken will be determined as per EID E2.1.1(c).
- on a Non-OBA day:
 - the UDQI for each relevant User will be determined as per EID E3.2.2(a);
 - the Entry Point Daily Quantity Delivered will be determined as per EID E3.2.2(b);
 - the UDQI for each relevant User will be determined as per EID E3.2.2(c); and
 - the Entry Point Daily Quantity Delivered will be determined as per EID E3.2.2(d).

Charging

It is proposed that for each relevant User for each Day:

- in respect of the Transmission Services Capacity Reserve Price, the quantity SCQ_d will be subject to the Specific Capacity Discount for Storage (i.e. the discount is applied to the charge rate);
- in respect of the Transmission Services Revenue Recovery Charge, the quantity of Storage Available Capacity will be subject to the Specific Capacity Discount for Storage (i.e. the discount is applied to the charge rate); and
- General Non-Transmission Services Charges will not be payable in respect of the Storage Connection Point UDQI and UDQO.

Emergencies

It is proposed that for the purposes of TPD Q, Interconnectors which offer an additional Storage service are treated solely as an Interconnector.

6 Impacts & Other Considerations

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

None.

Consumer Impacts

Proposer's view:

Implementation will increase the range of commercial storage service available to GB shippers to optimise trading positions. Whilst no direct impacts are foreseen, the increased optionality and efficient use of existing assets should help consumers indirectly through reducing balancing costs and providing an additional buffer for short term price fluctuations, which would ultimately have an economic benefit for the consumer.

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	Shippers would be the main beneficiary of the Modification and as such determining which consumer group would benefit cannot easily be done. Any additional benefits would be indirect through any possible reduced balancing costs.
What costs or benefits will pass through to them?	The benefit resulting from provision of additional capability for Shippers to manage their own balancing positions, could be passed on through to consumers, providing it is competitively priced. This will be determined by Shipper's contractual arrangements. Additional flexibility tools available to Shippers should mean National Grid as residual balancer, should have a lower requirement to intervene, thus improving efficiency. This may result in somewhat reduced balancing cost needing to be passed on through charges. This is likely to be at a low level of materiality.
When will these costs/benefits impact upon consumers?	Upon implementation, if utilised.
Are there any other Consumer Impacts?	None
General Market Assumptions as at December 2016 (to underpin the Costs analysis)	
<i>Number of Domestic consumers</i>	<i>21 million</i>
<i>Number of non-domestic consumers <73,200 kWh/annum</i>	<i>500,000</i>
<i>Number of consumers between 73,200 and 732,000 kWh/annum</i>	<i>250,000</i>
<i>Number of very large consumers >732,000 kWh/annum</i>	<i>26,000</i>

Some Workgroup Participants commented that only a limited quantity of additional storage flexibility has been identified with this proposal and that the benefits identified by the Proposer may at best be very marginal, if at all. A further observation was that there is no guarantee that implementation of the Modification will lead to the additional storage being made available. A Workgroup Participant countered that this proposal would facilitate other Interconnector operators to offer a similar service so the benefits might increase.

Cross Code Impacts

None. The scope of the new arrangements that need to be established are limited to the UNC.

Workgroup Participants did not identify any further cross code impacts.

EU Code Impacts - Alignment with Retained EU Law

Proposer's view:

As a consequence of the UK's withdrawal from the European Union, the European Union (Withdrawal Agreement) Act 2020 has effectively incorporated into UK law those EU Regulations in force as at the end of the Implementation Period, therefore:

- the definition of 'Interconnector' in the EU regulations (as at that date) applies in the UK from 31st December 2020.

Regulation 2018/1999 and Directive 2019/692 revised the definition of interconnector, which is now as follows:

'interconnector' means a transmission line which crosses or spans a border between Member States for the purpose of connecting the national transmission system of those Member States or a transmission line between a Member State and a third country up to the territory of the Member States or the territorial sea of that Member State;

Article 3(2) of Regulation 2017/459 (network code on capacity allocation mechanisms in gas transmission systems) includes the following definition:

'interconnection point' means a physical or virtual point connecting adjacent entry-exit systems or connecting an entry-exit system with an interconnector, in so far as these points are subject to booking procedures by network users;

In conclusion, the additional operation of an Interconnector as a Storage Facility and additional utilisation of the connection to the NTS as an entry/exit point for the purposes of storage does not conflict with any regulatory limitation placed on the Interconnector or its connection to the NTS.

- the definition of 'Storage Facility' in the EU regulations (as at that date) applies in the UK from 31st December 2020.

The discount applied to capacity-based transmission tariffs described in Article 9(1) of Regulation 2017/460 (as amended by The Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations 2019) applies in respect of a 'storage facility'. Regulation 715/2009 (as amended by The Electricity and Gas etc. (Amendment etc.) (EU Exit) Regulations 2019) defines a "**storage facility**" as:

a facility used for the stocking of natural gas and owned or operated by a natural gas undertaking, including the part of LNG facilities used for storage but excluding the portion used for production operations, and excluding facilities reserved exclusively for transmission system operators in carrying out their functions

In conclusion, the additional operation of an Interconnector for the purposes of storage is consistent with the definition of Storage Facility as this additional storage service will be available for Shippers who wish to utilise this facility (i.e. it is not reserved exclusively for use by TSOs). Therefore, as a Storage Facility, the discount afforded to capacity-based transmission tariffs described in Article 9(1) of Regulation 2017/460 at such facilities are applicable.

Workgroup discussions

The Workgroup on 7 September 2021 considered the opinion provided by Interconnector relating to the question of whether the Gas Act or Gas Regulation prevails;

Gas Act Section 5(8)

“Gas Interconnector: any pipeline system as— (a) is situated at a place within the jurisdiction of Great Britain; and (b) subsists wholly or primarily for the purposes of the conveyance of gas (whether in both directions or in only one) between Great Britain and another country or territory”

Regulation 715/2009 as amended by UK SI 2018/1286 and 2019/530:

“interconnector” (a) in relation to Great Britain, means a transmission line which crosses or spans a border between Great Britain and a member State, or between Great Britain and Northern Ireland, for the sole or main purpose of connecting the transmission systems of those countries or territories;

Interconnector asserted that as retained EU law, the Gas Regulation is directly applicable meaning that the definition of ‘Interconnector’ in the Gas Regulation applies as a matter of English Law and therefore prevails over domestic legislation. This is addressed in Schedule 8, para 1 of the EU Withdrawal Act.

Some Workgroup Participants disagreed with this interpretation and expressed concern that the legal basis on which the storage service is to be offered is unclear. A Workgroup Participant had received different advice in correspondence with BEIS;

“The UK transposed Directive (EU) 2019/692 by making the Gas (Internal Markets) Regulations 2020 (SI 2020/625). The Regulations operated by amending other legislation, including the Gas Act 1986, and modifying the standard conditions of a gas interconnector licence. The Regulations included a provision to sunset some of its changes at the end of the transition period.

Section 5(8) of the Gas Act 1986 defines “gas interconnector” for the purposes of Part 1 of the Act as:

...so much of any pipeline system as—

(a) is situated at a place within the jurisdiction of Great Britain; and

(b) subsists wholly or primarily for the purposes of the conveyance of gas (whether in both directions or in only one) between Great Britain and another country or territory.

This definition was inserted by the Energy Act 2004 and has not been amended (whether as part of transposing Directive (EU) 2019/692 or in relation to EU exit). Our assessment at the time was that the definition of interconnector that we had in UK domestic law was already broad enough to include third countries, so no amendments were necessary to transpose the Directive”.

Some Workgroup Participants remained concerned that there appeared to be conflicting views on which legislation applies whilst recognised that the definition (in both the Gas Act and Gas Regulation) indicates that an Interconnector may provide services other than Transmission.

In respect of the proposition that the service will be classed as storage, the following comments have been received;

This definition was introduced by the Electricity and Gas (Internal Markets) Regulations 2011/274 and remains unchanged.

Definition of “storage facility” –

Section 48(1) Gas Act 1986 provides that:

“storage facility” means a facility in Great Britain (including the territorial sea adjacent to Great Britain and the sea in any area designated under section 1(7) of the Continental Shelf Act 1964) for either or both of the following—

- (a) *the storage in porous strata, or in cavities in strata, of gas which has been, or will be, conveyed in a pipeline system operated by the holder of a licence under section 7 or 7ZA;*
- (b) *the storage of liquid gas which, if regasified, would be suitable for conveyance through pipes to premises in accordance with a licence under section 7,*

but the reference in paragraph (b) to the storage of liquid gas does not include such temporary storage as is mentioned in the definition of “LNG import or export facility”;

The comments from BEIS noted that this definition is different from the term identified as ‘gas storage facility’ in the proposal which appears to have been used for a particular purpose in the Gas (Exemptions) Order 2011 and is more limited in scope as it does not include gas in natural porous strata, which is covered by the term ‘storage facility’ in the Gas Act.

Some Workgroup Participants remained concerned that given the statutory definition of a storage facility in the Gas Act it was uncertain that the UNC could provide a different definition for the purposes of this service and therefore that the proposed discount might also be invalid.

The Workgroup on 7 October 2021 concluded that resolution of this question, and whether it affects the viability of the proposal, lay outside the competence of the Workgroup and may be better placed as a matter for Authority decision.

Central Systems Impacts

There will be impacts on Gemini and UK Link invoicing systems. These impacts are being assessed. The CDSP (Xoserve) has been consulted on all stages of development of this project and National Grid will continue to ensure this is the case.

Rough Order of Magnitude (ROM) Assessment

CDSP Change Proposal reference number XRN5334

ROM response date 23 September 2021

Cost estimate from CDSP	£605k - £730k and annual costs of £7k - £11k
Timescales	Subject to DSC Change Management Committee approvals and prioritisation. Estimated at 28 weeks to 30 weeks for analysis to post-implementation support.

On 7 October 2021 the Workgroup considered the ROM and some Workgroups Participants commented that the significant implementation cost for a limited quantity of storage that might be made available did not appear to be justified by the marginal benefits identified by the Proposer.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	Positive
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (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

Proposer's view of how this Modification furthers the Standard Relevant Objectives:

Enabling Interconnectors to provide additional storage services will incentivise greater use of the NTS and provide Shippers with an additional service to assist with system balancing. This will support cost recovery over a wider customer and product base, hence leading to a more economic and efficient use of the system as per Relative Objective (a) and (b).

In addition, the service provides further balancing tools for Shippers which are subject to appropriate NTS charging arrangements. This will promote a level playing field through consistency of Shipper charges across the range of balancing services as per Relevant Objective (d). Such a service creates additional optionality for Shipper Users to accommodate temporary market fluctuations and provide assistance with balancing. These benefits help better facilitate the GB market's Security of Supply and have the potential to lower balancing costs.

Workgroup view of how this Modification furthers the Standard Relevant Objectives:

Relevant Objective a)

More Throughput

Some Workgroup Participants noted that if one assumes the additional storage option on the system would result in more throughput it would appear to be positive for Relevant Objective a). However, this assumption does not appear to have any analysis to support it, so it is difficult to confirm positive impact for Relevant Objective a).

A Workgroup Participant believes this proposal improves the economic operation of National Grid's pipeline system by utilising National Grid's available capacity for additional services noting

Interconnectors have long periods when they are not utilised fully for transportation and thus can be used for short term storage services to GB shippers.

Cost Recovery

Some Workgroup Participants noted that the possible access to discounts associated with provision of a storage service (as per UNC 0729) may make it difficult to agree that the Modification will support cost recovery over a wider customer and product base, hence the Relevant Objective a) may not be impacted.

A Workgroup Participant did not agree with the assertions by the Proposer in regards to cost recovery because the storage being proposed in the Modification may affect the cost recovery calculations (there could be a case of under charging).

Security of Supply

A Workgroup Participant asked whether this Point could offer a service which would support GB Security of Supply through lowering the balancing cost. If the balancing cost cannot be lowered (for example because the access to the Storage Discount skews the calculations), then the Modification can't be considered to be supporting Security of Supply. No impact on Relevant Objective e).

Balancing

A Workgroup Participant highlighted that the Modification, if implemented, may provide an additional means for Shippers to access flexibility in balancing their portfolios, thereby reducing any intervention required by National Grid and thus providing a positive impact on Relevant Objective a).

Workgroup Participants expressed no views in relation to Relevant Objective b).

Effects on Other Stakeholders

A Workgroup Participant expressed the view that this Modification, if implemented, would have a detrimental impact on other providers of storage services, this would be negative for competition and thus for Relevant Objective d). The Modification may allow the Interconnector Operator to operate under the same commercial/UNC terms as other storage operators and may mean that they are not operating on a level playing field because they may carry fewer obligations.

A Workgroup Participant acknowledged that if the interconnector can offer more choice in a fair way then the Modification could be viewed to be increasing choice and thus furthering Relevant Objective d).

At the Workgroup meeting on 7 September 2021 a presentation was given setting out that the proposed operation of the service by the interconnector would be in line with;

- *The commercial access regime as set out in section 19B of the Gas Act;*
- *Section 17D of the Petroleum Act 1998;*
- *Regulation EC 715/2009 as amended by UK SI 2018/1286 and 2019/530;*
- *The guidance provided by Ofgem to GB Storage Operators.*

The Workgroup Participant asserted that these controls meant that the operation would be on a 'level playing field' basis.

The Workgroup was informed that one aspect on which it was not possible to treat an Interconnector in the same way as a Storage Facility is in participation in the Safety Monitor as a Storage Facility. This arises because an Interconnector will already be providing a role in times of gas supply emergencies in its capacity as an Interconnector. Therefore, in the interest of Security of Supply for the GB market it is more beneficial for the Safety Monitor to access the full technical capacity of the Interconnector pipeline than a restricted portion that falls under the Storage Service.

The Workgroup on 7 October 2021 was presented with an explanation of the directions that the Network Emergency Coordinator (NEC) would issue within stage 2 of a Gas Deficit Emergency (GDE), specifically comparing the directions relating to supplies of gas from Storage and those from Interconnector input. It was noted that both Storage and Interconnectors would be directed / encouraged at the same stage as set out in the table below. The equivalent arrangements for exit (demand) are shown for the purpose of completeness.

Connection	NTS Entry (Supply) i.e. Interconnector Import and Storage Withdrawal	
	Instruction / Request from Primary Transporter	Timing
Interconnector	Can only be encouraged to maximise delivery to NTS during Stage 2 of a Network Gas Supply Emergency (as gas source is off the GS(M)R network)	As part of ' Directing Supplies into the NTS ' phase (albeit as noted there is no power to <i>direct</i> , only encourage)
Storage	Can be directed to maximise delivery to NTS during Stage 2 of a Network Gas Supply Emergency	As part of ' Directing Supplies into the NTS ' phase
Connection	NTS Exit (Demand) i.e. Interconnector Export and Storage Injection	
	Instruction / Request from Primary Transporter	Timing
Interconnector	Can be directed to cease export (offtake) from the NTS during Stage 2 of a Network Gas Supply Emergency	As part of the ' Load Shedding ' phase Classed as 'interconnectors', directed to cease offtake before VLDMCs
Storage	Can be directed to cease injection (offtake) from the NTS during Stage 2 of a Network Gas Supply Emergency	As part of the ' Load Shedding ' phase Classed as 'VLDMCs', directed to cease offtake after Interconnectors

Notes - 'GS(M)R' is the Gas Safety (Management) Regulations 1996. 'VLDMCs' are Very Large Daily Metered Customers

Some Workgroup Participants were concerned that this difference in treatment under times of system stress could mean that the commercial conditions were not in fact on a 'level playing field'.

Impact of the modification on the Relevant Charging Methodology Objectives:

Relevant Objective	Identified impact
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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;	Positive
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;	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.	None

Implementation would not conflict with paragraphs 8, 9, 10 and 11 of Standard Condition 4B of the Transporter's Licence as it does not propose any changes to the Connection Charging Methodology.

Implementation would not conflict with paragraphs 2, 2A and 3 of Standard Condition 4B of the Transporter's Licence as it does not propose any changes to the process of the determination of Reserve Prices or the publication of transportation charges.

Regarding Relevant Charging Objective (a), the additional storage service at Interconnectors would be subject to the specific NTS charging arrangements applicable to other GB storage facilities. This is an accurate reflection of the fact that gas entering a GB storage facility is subsequently redelivered to the NTS.

The proposed change to the current Charging Methodology also takes account of the additional use of Interconnectors to offer a Storage Service and hence takes into account developments in the transportation business, as per Relevant Charging Objective (b).

By facilitating the increase in the options available to Users (for the avoidance of doubt, those in GB only) when seeking a storage service and ensuring that the appropriate transportation charging arrangements are in place for this, implementation better facilitates competition between those shippers (UNC Relevant Objective (d) and Relevant Charging Methodology Objective (c)). In addition, the proposed change ensures that all users of additional storage services offered by Interconnectors will incur consistent NTS transportation charges.

Workgroup view of how this Modification furthers the Relevant Charging Objectives:

Workgroup Participants views on Charging Relevant Objective a) cost recovery

Workgroup Participants noted that as at 05 August 2021 the draft legal text did not have any proposed changes to Section Y and therefore the workgroup did not need to consider the relevant charging objectives, however some Workgroup Participants felt that there had been a change in the transportation business in that the storage discount (in Section Y) would be available which would in turn change the allocation of charges between users of the system, thus there is an impact on Charging Relevant

Objective b). Workgroup Participants have not yet seen any evidence of what the impact would be and thus cannot say whether this impact is positive nor negative.

Workgroup Participants considered that comments made above in relation to standard Relevant Objective d) should apply to Relevant Charging Objective c).

At the Workgroup meeting on 7 September 2021, analysis was provided on the effect on reserve prices for capacity. The analysis showed that in scenarios where 'new' capacity is required to fulfil the storage demand, each additional storage unit generates 20% of the Reserve Price in addition to the current expected revenue, bringing Transmission Services Reserve Price Rates down. In utilising current capacity, initially each unit moved results in an 80% decrease in revenue recovered due to the Storage discount. However, once demand exceeds the current FCC excluding Existing Contracts, there is no current capacity available to use for Storage and so new capacity must be purchased. For every unit of current capacity, four units of new capacity above the original FCC would be required to balance the revenue impacts.

A Workgroup Participant wished it to be noted that the Storage Service proposed by the Interconnector Operator is for a maximum of 100GWh/ 8.7mcm/d on a DA/WD basis. This small capacity would mean that in practice the effect on capacity reserve prices would be negligible.

8 Implementation

No implementation timescales are proposed.

9 Legal Text

The Workgroup considered the Legal Text at Workgroup on 07 October 2021 and is satisfied that it meets the intent of the Solution.

Text Commentary

A commentary to the text has been provided by National Grid and is published alongside this report at: <https://www.gasgovernance.co.uk/0761>.

Text

Legal Text has been provided by National Grid and is published alongside this report at: <https://www.gasgovernance.co.uk/0761>.

10 Consultation

Panel invited representations from interested parties on 21 October 2021. All representations are encompassed within the Appended Representations section.

The following table provides a high-level summary of the representations. Of the 11 representations received 4 supported implementation, 1 offered qualified support, and 6 were not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Relevant Charging Methodology Objectives
BBL Company V.O.F.	Support	a) Positive d) Positive	'No comments were supplied'
British Gas Trading Limited	Qualified Support	a) Positive b) Positive d) Positive	a) Positive b) Positive c) Positive
Energy UK	Oppose	a) None b) None d) None	a) None b) None c) None
Interconnector Limited	Support	a) Positive b) Positive d) Positive	a) Positive b) Positive c) Positive
National Grid NTS	Support	a) Positive b) Positive d) Positive	a) None b) None c) None
RWE Supply & Trading GmbH	Support	a) Positive b) Positive d) Positive	a) Positive b) Positive c) Positive
Storengy UK Limited	Oppose	a) None b) None d) Negative	a) Negative b) Negative c) Negative
ScottishPower	Oppose	a) None b) None d) None	a) Negative b) Negative c) Negative
SSE	Oppose	a) None b) None d) None	a) None b) None c) None
Underground Energy Storage Operators Ltd (UESO)	Oppose	a) None b) None d) None	a) Negative b) Negative c) Negative
Uniper	Oppose	a) None b) None d) None	a) None b) None c) None

Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are

published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

Discussion

The Panel Chair summarised that Modification 0761 proposes changes to the Uniform Network Code (UNC) to incorporate additional commercial arrangements for the operation of Interconnectors with additional storage capability.

Panel Members considered the representations made noting that, of the 11 representations received, 4 supported implementation, 1 offered qualified support, and 6 were not in support.

Panel Members began by discussing the definition of storage used in the Modification for insertion into the UNC and whether it was consistent or not with the Gas Act. Panel Members noted that most Consultation response suggested an opinion on the legality is required from the Authority.

Some Panel Members were concerned that Modification 0761 attempts to override the definition of storage in the Gas Act. Primacy of legislation is a key question.

The Proposer asserts that the wider definition is the correct one.

A Panel Member noted that an interconnector party is wishing to offer this service, then interconnection is the primary activity and other activities are possible. There would then be a limit to the activity which would reduce the storage use to a daily flow use only. There does not appear to be anything in the text of the Modification to specifically limit this. Panel discussed whether this limitation should be specified within the Modification and thus in Code. Some Panel Members believed this warranted further discussion at Workgroup or some direct response from Ofgem or BEIS as to which definition prevails.

The Ofgem representative present at Panel agreed to liaise with colleagues at Ofgem who deal with Transmission Workgroup and to seek either Ofgem or BEIS input for Workgroup 0761.

Further discussion on this Modification was deferred until after this question can be settled by a Workgroup meeting and Panel requested a supplemental report back to the 20 January 2022 Panel meeting.

Determinations

Panel Members voted with 13 votes in favour (out of a possible 14), to send Modification 0761 back to Workgroup 0761 for a Supplemental Report with a report back to Panel by 20 January 2022.

12 Recommendations

Panel Recommendation

Panel Members recommended:

- that Modification 0761 should be returned to Workgroup 0761 for further assessment.

13 Supplemental Report

06 January 2022 Workgroup

The Workgroup considered the request for a supplemental report and the specific question referred from the Modification Panel - *Clarification of primacy of legislation relating to the definition of storage in the context of an interconnector*"

National Grid submitted a paper and Interconnector Ltd identified that its Annex 1 provided during consultation (external legal advice from Fieldfisher) was also relevant.

- National Grid Response:
<https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2022-01/7.3%20National%20Grid%20Response%20to%20Questions%20raised%20-%20Modification%200761.pdf>
- Interconnector Ltd External Legal Advice:
<https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2021-11/Interconnector%200761%20Annex%201%20to%20INT%20UNC761%20consultation%20response%20-%20Legal%20advice%20relating%20to%20use%20of%20an%20interconnector%20as%20a%20storage%20facility.pdf>

In response to the action from the UNC Modification Panel ("PAN 12/01: *Ofgem Representative (JS) to liaise with colleagues at Ofgem and BEIS and seek their attendance at the Workgroup where this Modification will be discussed*") the Ofgem representative present asked participants to note the following:

"It should be acknowledged that all of these issues require full legal appraisal on our side, and there has not been the resource to undertake this all over the Christmas and New Year break. We would encourage that it is well within the gift of the UNC panel chair to seek its own understanding of the legal views (e.g. those raised by BEIS, interrelationship between Gas Act/Regulations etc.) for this modification, and whilst we do engage with BEIS frequently on issues, we are an independent regulator and will therefore source our own legal advice and internal views. As always, it is the modification proposer's responsibility to ensure the mod is legally compliant, and we will not fetter our discretion by providing a view on this prior to making our final decision on the mod".

Workgroup participants noted that the action had been relayed to Ofgem but that no view was sought from, and hence no formal response had been provided by, BEIS. Workgroup participants noted that the comments made in the Workgroup Report and attributed to BEIS had not been accompanied by the text of the question that had been posed and this may have misrepresented the context. The National Grid representative, referring to the submitted paper pointed out that in the comments attributed to BEIS in the Workgroup Report, it had not provided an opinion on the primacy of legislation, it had merely referred to the consideration of any actions necessary to incorporate an EU Directive into UK law in the context of the definition of Interconnector.

All Workgroup participants agreed that this question was unlikely to be satisfactorily resolved in the workgroup as a unanimous view on interpretation of legislation is unlikely to be reached and in this regard, the relevant views and opinions are reflected in the Final Modification Report. Given that the Workgroup is not able to conclude a *definitive* view on interpretation, it was concluded that the only relevant opinion would be that of Ofgem (who may choose to seek the opinion/advice of BEIS ahead of reaching a decision on the Proposal).

The Joint Office representative agreed to submit an urgent request to BEIS for a response to the question posed by the Modification Panel with a request that any response be provided ahead of the meeting of the Modification Panel on 20th January 2022.

14 Appended Representations

Representation – BBL Company V.O.F

Representation – British Gas Trading Limited

Representation – Energy UK

Representation – Interconnector Limited

Representation – National Grid NTS

Representation – RWE Supply & Trading GmbH

Representation – Scottish Power

Representation – SSE

Representation – Storengy UK Limited

Representation – Underground Energy Storage Operators Ltd (UESO)

Representation – Uniper