



Rough Order Magnitude (ROM) Request

Change Reference Number: **5336**

Please send completed form to: <mailto:box.xoserve.portfoliooffice@xoserve.com>

Section A: Change Details	
Change Title	0751 - Capping price increases for Long-Term Entry Capacity
Will the Change impact the UNC (YES / NO)	Yes
MOD Reference (if raised)	0751 - Capping price increases for Long-Term Entry Capacity
Contact Details of Person Requesting the ROM	
Contact Name	Dan Hisgett
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Section B: Xoserve Acknowledgement and Business Analyst Contact Details	
<i>(Xoserve CIO Office will add)</i>	
ROM Received Date	10/03/2021
ROM Response date	22/03/2021
Business Analyst Name	Hannah Reddy
Business Analyst Email	Hannah.reddy@correla.com
Business Analyst Phone	0121 229 2226



Rough Order Magnitude (ROM) Response

Type of ROM Evaluation

ROM for Code-Modification

0751 - Capping price increases for Long-Term Entry Capacity

Details of the Modification proposal:

The modification introduces a cap on the maximum price payable for Long-Term Entry Capacity to ensure equitability in the charging treatment of Long-Term Capacity products and facilitate investment in gas supply facilities.

The price cap would be applicable to long-term Entry Capacity purchased in the QSEC auctions. It does this by proposing to use the auction or Reference Price from the year in which Capacity is booked, rather than the year in which it is used, to calculate the payable Reserve Price at the point of use.

The Reserve Price is calculated by applying a Consumer Price Index (CPI) based adjustment to the auction year Reference Price. This calculated price is then capped or collared based on the usage year Reference Price or the unadjusted auction year Reference Price in the case of a negative CPI.

This proposal applies to any Capacity where the usage date is later than the Modification Implementation date. This excludes Existing Contracts, but includes Capacity which has already been booked for future periods, including auctions carried out in the period between TAR NC Implementation (5 April 2017) and Implementation of UNC0678A (1 October 2020). During this period a Reference Price does not exist, the intent is to apply the CPI adjustment to the achieved auction price for these bookings.

Following legal input, the proposer is in the process of amending this modification to exclude capacity booked at Interconnectors. This will be reflected in the next iteration of the Modification.

Modification available at: <https://www.gasgovernance.co.uk/0751>

The current version is dated 11 January 2021, we expect an updated version to be uploaded imminently.

Legal text for the Modification available at:

Legal text has been requested and will be forwarded as soon as available.

The Proposed Change

(Xoserve' s understanding of the Modification)

To introduce a cap on the maximum price paid by holders of Quarterly System Entry Capacity (QSEC) at domestic entry points to ensure equitability in the charging treatment of Long-Term Capacity products and facilitate investment in gas supply facilities

Change Impacts

General Impacts to Xoserve and External Parties:

1. Gemini System
 - a. Introduce a cap on the price paid by holders of Quarterly System Entry Capacity (QSEC) at GB Locations
 - b. Calculate the CPI (Consumer Price Index) inflation and Price Cap per location
 - c. Calculate payable price adjusted by CPI and charge the QSEC bids allocated after 05th April 2017

External Interface Impacts (Changes to Screens, Portals, Files, Permitted Values, etc.)

None identified.

Impacts to Gemini System:

1. New Functionality to upload / Modify / Download the 'Month cap allocation Prices' CPI and Month cap prices published' CPI values per location per month into the Gemini System

Modifications to Existing Long Term Charge Calculation

1. Identify the QSEC bids allocated after 05th April 2017
2. Calculate the CPI (Consumer Price Index) inflation based on the CPI values uploaded using the below formula
 - a. $CPI\ Inflation = (Month\ cap\ prices\ published\ CPI / Month\ cap\ allocation\ CPI)$
3. Calculate the Price Cap as below
 - a. $Price\ cap = CPI\ Inflation * Cap\ price\ allocation\ at\ allocation\ (Excluding\ the\ Premium\ Price)$
4. Calculate the Payable price adjusted by CPI as below
 - a. $Payable\ Price = Max (Price\ Cap, Bid\ Price\ allocated\ (Excluding\ the\ premium))$
5. Calculate the Long-term charge for the applicable QSEC bids using the payable price as below
 - a. $Charge\ Amount = (Payable\ Price + Premium\ Price) * Number\ of\ Days * Allocated\ Capacity / 100$
6. **Reporting:**
 - a. Capacity and Revenue by Bid report needs modification to consider payable price for floating QSEC bids to calculate the Total and Quantity Holder revenues
7. The below example depicts our understanding



Example.xlsx

Impacts UKL Manual Appendix 5b:

None identified

DSC Service Areas Impacted:

Service Area 20: UK Link Gemini System Services

Costs and Timescales

Change Costs (implementation):

An enduring solution will cost at least **£115,000**, but probably not more than **£150,000** to implement

Change Costs (on-going):

The change is not expected to increase ongoing running costs.

Timescales:

This change would need to be prioritised through the Change Management Committee alongside other changes within Xoserve's planned Gemini programme.

The high-level estimate to develop and deliver this change is approximately 12 to 14 weeks for Analysis through to Post Implementation Support.

Please note a lead time of 3 months for startup/sanction/mobilisation should be considered though there is the potential for this to be shortened subject to the delivery mechanism and availability of resources.

Assumptions:

1. Historic data adjustments will be carried out manually by Correla post implementation
2. CPI values for bid allocation and publish prices will be loaded by National Grid into the Gemini System to calculate corresponding Payable Price for floating QSEC bids before the Long-Term capacity charge calculation
3. There is no requirement to display CPI values in existing Price related screens
4. No file format changes are required, no requirement to publish the CPI/CPI Inflation/Price Cap values to Shipper community
5. Modification to charge calculation is required only for floating QSEC bids. Monthly and daily products are not impacted. For clarity, MSEC and RMSEC auctions' floating bids will continue to be charged as is
6. The payable price is applicable to the whole charge quantity and not to any specific Quantity Holder
7. Overrun Price will continue to consider the Reserve and Actual Reserve Prices for calculation for floating price auctions. There is no requirement to consider the Payable Price
8. There is no requirement to share CPI values to downstream systems
9. E-Training updates are not required
10. An allowance of 2 weeks for UAT has been included in the estimated timescales
11. An allowance of 2 weeks for Post Implementation Support has been included in the estimated timescales
12. There will be joint testing between National Grid and Correla
13. This ROM assumes the solution will be delivered as a standalone project
14. This ROM is based on the Gemini functionality currently in Production and does not consider any functional changes being introduced by inflight projects
15. Change can be delivered using environments from the existing Gemini test estate
16. Costs are high level, based on high level analysis and assumed requirements

Dependencies:

- Availability of National Grid business resources to support delivery
- Implementation of the change is dependent on timely approval of the associated UNC modification

Constraints:

- If the intention is to deliver this during 2021 then this change would need to be considered alongside the wider Gemini change programme including existing inflight projects:
 - Gemini System Enhancements
 - NOCC readiness for October 2021
 - CSSC programme

Observations:

None identified

Document Version History

Version	Status	Date	Author(s)	Summary of Changes

Template Version History

Version	Status	Date	Author(s)	Summary of Changes
2.0	Approved	22/05/18	Steve Ganney	Minor changes implemented