

UNC Workgroup Report		At what stage is this document in the process?
<h1>UNC 0755:</h1> <h2>Enhancement of Exit Capacity Assignments</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">01</span> Modification                 </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">02</span> Workgroup Report                 </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">03</span> Draft Modification Report                 </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">04</span> Final Modification Report                 </div> </div>
<p><b>Purpose of Modification:</b>                      Enhancement of the existing Exit Capacity Assignment arrangements to enable Network Users to transfer, in full or in part, both the Capacity and associated Liability at an Exit Point.</p>		
	<p>The Workgroup recommends that this modification should be subject to self-governance.</p> <p>The Panel will consider this Workgroup Report on <b>17 June 2021</b>. The Panel will consider the recommendations and determine the appropriate next steps.</p>	
	<p>High Impact: None</p>	
	<p>Medium Impact: NTS Users</p>	
	<p>Low Impact: None</p>	

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**Commented [RH1]:** To be reviewed at 03 June meeting in line with new draft amended Modification v1.1 – this was discussed at 06 May and workgroup appeared happy with SG procedures

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Timetable		
<b>Modification timetable:</b>		
Pre-modification Discussion		03 December 2020 & 07 January 2021
Modification considered by Panel		18 February 2021
Initial Consideration by Workgroups		04 March 2021
Workgroup Report presented to Panel		17 June 2021
Draft Modification Report issued for consultation		18 June 2021
Consultation Close-out for representations		08 July 2021
Final Modification Report available for Panel		12 July 2021
Modification Panel decision		15 July 2021 (at short notice and agreement by Panel)

  

	Any questions?
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Commented [RH2]: Review this at 03 June meeting to reflect what will actually be happening

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## 1 Summary

### What

The UNC currently allows for full assignment of Capacity and liability between Users at an Exit Point. This Modification proposes to enhance the current Assignment offering by providing the ability to assign Capacity at Exit Points both in full and in part.

### Why

Enhancing Exit Capacity Assignments gives Users an enhanced level of flexibility, and reduces the risks associated with booking longer term Capacity. Users are currently able to trade Capacity on the secondary market which enables them to more accurately match their Capacity holdings to their expected flows. However, this puts an administrative burden on the original Capacity holder in setting up the initial arrangement and in ongoing invoicing and payment management which could be a barrier to some Users. The ability to assign partial volumes would also benefit incoming Users who could arrange to take on long-term liabilities rather than relying on the short-term markets to fulfil their obligations to customers.

### How

Enhancements to the Gemini system will provide Users with the ability to assign Exit Capacity and liability in part rather than just being able to transfer Capacity in full as is currently allowed. Updates to the Uniform Network Code (UNC) and the Exit Capacity Release Methodology Statement will be required to facilitate this.

Users will be able to assign Capacity and liability in the auction types in which they were purchased, i.e. annual or enduring, depending on the make-up of their Capacity portfolios as they are currently and Users will now be able to assign any volume within that auction purchase, consistent across the period defined, rather than on an all or nothing basis.

## 2 Governance

### Justification for Self-Governance

Self-governance application is sought as this modification is unlikely to have a material, adverse effect on competition, it proposes an expansion of the existing Exit Assignment arrangements. The aim is to introduce functionality which will be available to all Users and therefore will not discriminate between different classes of parties to the UNC, will simplify processes and enhance User choice, thereby reducing administrative costs.

We do not believe that the proposed modification impacts any of the criteria for Authority Direction and so should default to Self-Governance.

### Requested Next Steps

This Modification should:

- be considered a non-material change and subject to Self-Governance
- be assessed by a Workgroup

### 3 Why Change?

Industry parties approached National Grid with a request to consider enhancing the existing Assignments arrangements for both Entry and Exit. A previous UNC Modification 0276 - Alternative User Pays approach to - UNC Modification Proposal 0263 Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity addressed the Exit issue and was approved but never implemented and changes in the User Pays arrangements proposed in that Modification mean that the original decision no longer fits with the solution. After the request from industry to further develop the Assignments product, National Grid felt it would be sensible to revisit the Exit Modification. Ofgem have advised that a new Modification would be required due to the difference in funding arrangements of the Gemini system related change.

While National Grid are not proposing to take the Entry Assignment proposal forward at this time, the benefits for enhancement of the Exit Assignments methodology, laid out in Modification 0276, still apply in today's market. The enhanced flexibility of a partial assignment arrangement will benefit new and existing Users.

The current arrangements for transfer of Capacity between Users requires the setup of payment and invoicing arrangements between the two Shippers, with initial costs to set up the agreement and monthly invoicing costs. Should a Shipper default on this arrangement, legal fees would also be incurred. The assignment of that Capacity ends the need for a third-party agreement as a new arrangement between National Grid and a second Shipper removes the liability from the original holder and keeps the associated risks with National Grid.

As both the Entry and Exit solutions would share a similar system design this Modification also provides a path for a future Entry Assignments product should a Modification be proposed.

### 4 Code Specific Matters

#### Reference Documents

Transportation Principle Document: Section B

[https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2020-10/4%20TPD%20Section%20B%20-%20System%20Use%20%26%20Capacity\\_0.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2020-10/4%20TPD%20Section%20B%20-%20System%20Use%20%26%20Capacity_0.pdf)

UNC Modification Proposal 0276

<https://www.gasgovernance.co.uk/0276>

Exit Capacity Release Methodology Statement

<https://www.nationalgrid.com/uk/gas-transmission/document/128006/download>

EU Tariff Code (Regulation 2017/460)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R0460>

### 5 Solution

Adjustments to the current paragraph 6 of UNC TPD Section B, which relates to the existing Exit Capacity Assignment arrangements will be required.

1. The text will allow Users to select a portion of their Annual NTS Exit (Flat) Capacity, which includes Enduring Annual NTS Exit (Flat) Capacity, and transfer both Capacity and associated liability to a second User.

2. The relevant proportion of User Commitment associated with the Capacity assigned, will also be assigned for the remainder of the User Commitment period. The Assignor will retain the remaining User Commitment, adjusted based on the assigned value.
3. Users will only be able to assign in the Capacity auction periods the Capacity was booked in, i.e. Annual and Enduring, but will be able to assign any volume, in whole units, from 1 kWh/day for the full period, up to the full booking.
4. The Capacity assignee will pay the published Exit Transmission Services rate applicable to the period being assigned.
5. The assignee would also pay any Exit Transmission Services Revenue Recovery Charges applicable to the Capacity and Period Assigned to them.
6. This functionality will be available at all Exit Points including DN Offtakes, Storage and Interconnectors, however any bundled Capacity would be excluded from this arrangement.
7. A partial assignment will not be permitted where it conflicts with any NTS Exit (Flat) Capacity Transfer\* (Trade) already in place and accepted by National Grid NTS.

## 6 Impacts & Other Considerations

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

This Modification has no impact of the Significant Code Review or any other significant industry change project.

### Consumer Impacts

Proposer's view:

No negative impacts should be felt by Users due to this enhancement.

Capacity Assignors will benefit from a reduction in the administrative processes currently involved with transfer of Capacity while retaining the liability, and a lowering in their credit requirements, reducing the risks associated with booking long term Capacity.

Assignees will be able to take direct advantage of any appropriate Entry Transmission Services rate discounts applicable to the Exit Point, for example the Storage discount, due holding both the Capacity and the liability.

Overall consumers should not feel any significant impact due to this change.

### Consumer Impact Assessment

*(Workgroup assessment)*

Criteria	Extent of Impact
Which Consumer groups are affected?	Large / Very large consumers (NTS direct connects)

What costs or benefits will pass through to them?	Avoiding the need for a contractual path (reducing administration/bureaucracy) to deal with this issue of assignment should save the Shipper; these avoided costs should eventually be passed along to customers and eventually consumers. It should be beneficial for customers directly in terms of a reduction in their own administration process.
When will these costs/benefits impact upon consumers?	Upon implementation.
Are there any other Consumer Impacts?	None
<b>General Market Assumptions as at December 2016</b> (to underpin the Costs analysis)	
Number of Domestic consumers	21 million
Number of non-domestic consumers <73,200 kWh/annum	500,000
Number of consumers between 73,200 and 732,000 kWh/annum	250,000
Number of very large consumers >732,000 kWh/annum	26,000

### EU Code Impacts

Proposer's view:

No changes are proposed which would impact EU codes.

It is intended to retain the current status quo, with no proposed changes to UNC TPD Section Y that would impact TAR NC compliance.

The exclusion of bundled Capacity at Interconnectors avoids any conflict with the CAM Code.

Workgroup Participants had nothing further to add.

### Central Systems Impacts

System enhancements will be required to the Gemini system to enable this solution.

The ROM outlines a project stand up time of approximately 3 months once prioritised, and an 18-22 week time scale to implement the required changes into systems. These changes are expected to cost in the region of £235k-£295k.

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### Rough Order of Magnitude (ROM) Assessment (ROM date 07/04/21)

Cost estimate from CDSP	£235,000 - £295,000
Timeline	18 to 20 weeks (note that additional time of around 2-3 months needs to be allocated for the Change Proposal to proceed through the processes required by the CDSP for system change approval).

Workgroup Participants discussed the detail of the ROM on 06 May 2021. National Grid requested that Parties communicate either openly or on a more confidential basis as to the cost- benefit analysis for this Modification. Specific detail in terms of potential cost savings would be very helpful.

Some Workgroup Participants noted that in regard to 'shorthaul', transfer of capacity (assignment) will enable access to the charging arrangements associated with 'shorthaul'.

Some Workgroup Participants noted that in terms of storage there would be a benefit to all storage operators in being able to transfer/assign capacity in full. This would avoid a contractual path, which is necessary at the moment. Exact costs are difficult to quantify but these are recurring costs thus it would be more efficient and increase flexibility if this Modification were to be implemented.

A Workgroup Participant noted that directly connected sites (including CSEPs) would benefit from implementation of this Modification when changing Supplier; this Modification would enable the efficient transfer of capacity to the incoming Supplier/Shipper. This may have the effect of furthering competition (Relevant Objective d))

### Workgroup Impact Assessment

Workgroup Participants discussed the two Panel questions:

1. Does Modification 0755 apply to DNOs and Shippers or just Shippers?
2. Does Modification 0755 have any Cross Code impact?

#### Does Modification 0755 apply to DNOs and Shippers or just Shippers?

National Grid confirmed that, effectively, the process is only available to Shippers as there is no opportunity for DNOs to use the process because this is not appropriate for DNOs (they cannot assign the capacity to themselves). The two DN Workgroup Participants present at Workgroup on 06 May 2021 agreed with this statement.

#### Does Modification 0755 have any Cross Code impact?

Workgroup Participants noted that the Joint Office has notified the IGT-UNC of a potential IGT-UNC impact regarding changes to TPD Section B paragraph 6. It is unclear at this stage whether an IGT-UNC enabling Modification or mirror Modification will be required.

#### Analysis of impacts

Workgroup Participants agreed that any analysis for this Modification would be seen for Shippers/Direct Connect sites when the process is utilised. Administrative processes will be simplified rather than an ongoing operation requirement to manage the situation. Therefore, Opex and legal costs would potentially be saved. There is likely to be a simplification of administrative processes for National Grid, with opportunity for reduction of dormant accounts on Gemini.

#### Suitability for self governance?(in accordance with amended mod 27 May 2021) (To be finalised on 03 June 2021)

Workgroup Participants briefly discussed whether the Modification will have a material impact and thus whether it may be suitable for self governance procedures and a review of the criteria for Self Governance was undertaken:

[https://www.gasgovernance.co.uk/sites/default/files/ggf/UNC%20%E2%80%93%20Self%20Governance%20Guidance%20v1.0\\_1.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/UNC%20%E2%80%93%20Self%20Governance%20Guidance%20v1.0_1.pdf)

#### On 03 June 2021 Workgroup agreed ... self governance????

Commented [RH4]: Is there any update to this position – do we know if an IGT mod has been raised for example?

## 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.	None
b) Coordinated, efficient and economic operation of <ul style="list-style-type: none"> <li>(i) the combined pipe-line system, and/ or</li> <li>(ii) the pipe-line system of one or more other relevant gas transporters.</li> </ul>	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: <ul style="list-style-type: none"> <li>(i) between relevant shippers;</li> <li>(ii) between relevant suppliers; and/or</li> <li>(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.</li> </ul>	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:

The Modification will allow Shippers another option when moving Capacity at an Exit Point. This should aid long-term profiling and reduce reliance on the short-term markets as well as reducing costs for Users overall.

Users would have more flexibility and confidence in the management of Registered NTS Exit (Flat) Capacity. In particular, it will allow Assignor Users the opportunity to assign Capacity within relatively short timescales to Assignee Users in response to end user customers' needs. Such needs are likely to arise at Interconnectors where an NTS User provides services to a number of downstream customers over different time periods.

In the event that an existing NTS User chooses to assign to another (incoming) NTS User the current rules do not allow the current (outgoing) User to assign a portion of its NTS Exit (Flat) Capacity to the incoming User to meet its and the customer's requirements (the current Shipper User may need to retain some NTS Exit (Flat) Capacity to meet the needs of its other customers). Consequently, incoming Shipper Users and their newly acquired customers need to rely on shorter-term NTS Exit (Flat) Capacity products (not guaranteed to be available) or plan years in advance to secure NTS Exit (Flat) Capacity. This change should enable more effective movement of Capacity between Users and reduce the costs to consumers.

Commented [RH5]: Unbundled only? Please clarify at Workgroup on 03 June 2021

Workgroup view:

On 06 May 2021 Workgroup Participants agreed in general with the views expressed above.

Some Workgroup Participant noted that this Modification will act to avoid the need for settlement or back office arrangements currently needed to support capacity trade or transfer; full assignment means that National Grid will invoice the Assignee only. Avoiding the need for a contractual path to deal with this issue should save the Shipper; these avoided costs should eventually be passed along to consumers.

## 8 Implementation

Initial discussions with industry requested an 01 October 2021 implementation date. All efforts were being made to try to achieve that, but based on early discussions with Xoserve, a Spring 2022 implementation was a more realistic timescale.

Following receipt of the ROM, a project stand-up time of approximately 3 months, once prioritised, followed by an 18-22 week time scale is required to implement these changes. Spring 2022 is still a possibility for implementation.

## 9 Legal Text

Legal Text has been provided by National Grid and is [included below/published alongside this report].

The Workgroup considered the Legal Text on 03 June 2021 and is satisfied that it meets the intent of the Solution.

### Text Commentary

Insert text here

### Text

Insert text here

**Commented [RH6]:** Legal Text expected Friday 28 May 2021 from National Grid

## 10 Recommendations

### Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

This modification is considered by Workgroup to be suitable for self governance procedures.

- This modification should proceed to consultation.

This proposal requires further assessment and should be returned to Workgroup.

**Commented [RH7]:** Please discuss, agree and finalise this section with workgroup. I expect it will be Self governance and go to consultation but need to check with workgroup on 03 June 2021