

UNC Modification Proposals 0541, 0541A and 0541B
National Grid NTS Workgroup Actions

0904: National Grid NTS(JG) to refresh the DECC Working Group analysis (October 2014 – July 2015).

See separate presentation material.

0907: National Grid NTS (JG) to consider and provide justification for User Pays.

National Grid has given further consideration to the potential implementation requirements associated with all three Proposals which all advocate application of a one off retrospective adjustment from the date of implementation back to 1st October 2015.

Given that, at the point of implementation, the vast majority of the retrospective period will be older than M+15 (i.e. Entry Close-out Date as per UNC TPD E1.8.1) this adjustment will not be achievable by simply revising User Entry Allocations. Alternatively, this is likely to require financial adjustments to be undertaken by Xoserve and necessitate capacity and balancing neutrality adjustments etc.

If this assumption is correct then 0541 will also require changes to Transporter Agency Systems (in this case, only to deliver the retrospective adjustment) and on this basis it is National Grid NTS's opinion that is also a User Pays Modification to be funded by those Shipper Users that utilise the service.

0541

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	<p>The implementation of functionality to undertake a one off adjustment back to 1st October 2015 to adjust a relevant User's "Time Shift Charges" for this retrospective period would require changes to the Transporter Agency systems and processes and the Transporter Agency would incur incremental Transporter Agency costs.</p> <p>On this basis, implementation would create a User Pays Service and therefore the Modification Proposal should be classified as a User Pays Modification Proposal.</p>
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	<p>Users of the service will be those Shipper Users with entry allocations at the relevant Entry Points ("GMT Terminals") as recipients of the adjustments proposed. On this basis the proposed split of the recovery between Gas Transporters and Users for User Pays is 100% Shipper Users.</p>
Proposed charge(s) for application of User Pays charges to Shippers.	<p>It is proposed that costs will be recovered annually. Each User with allocations at the relevant entry points ("GMT Terminals") will pay a charge based on their proportion of the total flows allocated over the retrospective period i.e. back to 1st October 2015 on the basis that this is the earliest date in respect of which adjustments under this Proposal will be processed.</p> <p>The costs attributable to the solution will be recovered over [x] years. [Any ongoing costs?].</p>
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	<p>System and process changes: In the range [£x to £y]</p>

0541A

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	<p>The implementation of functionality to adjust a relevant User's "Time Shift Charges" prior to being invoiced (and a one off adjustment back to 1st October 2015) would require changes to the Transporter Agency systems and processes and the Transporter Agency would incur incremental Transporter Agency costs.</p> <p>On this basis, implementation would create a User Pays Service and therefore the Modification Proposal should be classified as a User Pays Modification Proposal.</p>
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	<p>Users of the service will be those Shipper Users with entry allocations at the relevant Entry Points ("GMT Terminals") as recipients of the adjustments proposed. On this basis the proposed split of the recovery between Gas Transporters and Users for User Pays is 100% Shipper Users.</p>
Proposed charge(s) for application of User Pays charges to Shippers.	<p>It is proposed that costs will be recovered annually. Each User with allocations at the relevant entry points ("GMT Terminals") will pay a charge based on their proportion of the total flows allocated i.e. over each 12 month period (from 1st October 2015 on the basis that this is the earliest date in respect of which adjustments under this Proposal will be processed).</p> <p>The costs attributable to the solution will be recovered over [x] years. [Any ongoing costs?].</p>
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	<p>System and process changes: In the range [£x to £y]</p>

0541B

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	<p>The implementation of functionality to adjust a relevant User's "Time Shift Charges" subsequent to the issue of the original invoices for the relevant period (and a one off adjustment back to 1st October 2015) require changes to the Transporter Agency systems and processes and the Transporter Agency would incur incremental Transporter Agency costs.</p> <p>On this basis, implementation would create a User Pays Service and therefore the Modification Proposal should be classified as a User Pays Modification Proposal.</p>
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	<p>Users of the service will be those Shipper Users with entry allocations at the relevant Entry Points ("GMT Terminals") as recipients of the adjustments proposed. On this basis the proposed split of the recovery between Gas Transporters and Users for User Pays is 100% Shipper Users.</p>
Proposed charge(s) for application of User Pays charges to Shippers.	<p>It is proposed that costs will be recovered annually. Each User with allocations at the relevant entry points ("GMT Terminals") will pay a charge based on their proportion of the total flows allocated i.e. over each 12 month period (from 1st October 2015 on the basis that this is the earliest date in respect of which adjustments under this Proposal will be processed).</p> <p>The costs attributable to the solution will be recovered over [the first 2 years]. [Any ongoing costs?].</p>
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	<p>System and process changes: In the range [£x to £y]</p>

Unlisted: *National Grid took an action to check the wording in the RIIO-T1 decision to identify whether this wording of the EU Codes compliance allowance ('Market Facilitation') provides any clarification as to whether this was intended to capture National Grid change costs which enable wider market participants to comply.*

https://www.ofgem.gov.uk/sites/default/files/docs/2012/07/riio-t1-nggt-and-nget-cost-assessment-and-uncertainty_0.pdf

RIIO-T1: Initial Proposals for National Grid Electricity Transmission and National Grid Gas

Page 161/162:

8.31. Overall NGGT's SO costs are forecast to increase from an average of £51.4m in the TPCR4+R Period to £73.6m in the RIIO-T1 period. NGGT has stated that the following factors are driving this increase:

8.32. For capex NGG has identified the following investments:

- Market Facilitation – NGGT has assumed within its investment plan that the major systems will be impacted by changes, driven by GB and / or EU regulation... NGGT considers that a significant proportion of the cost of such change to these systems is likely to be unrelated to the context of the change itself and so is consequently proposing that it is dealt with through uncertainty mechanisms.

https://www.ofgem.gov.uk/sites/default/files/docs/2012/12/3_riiot1_fp_uncertainty_dec12.pdf

RIIO-T1: Final Proposals for National Grid Electricity Transmission and National Grid Gas Cost assessment and uncertainty Supporting Document

3.46. NG proposed an uncertainty mechanism for a number of areas in its business plans ...

- ...EU market facilitation: for changes imposed on NG through ... EU legislation....

The above would suggest that the requested Uncertainty Mechanism for 'Market Facilitation' was envisaged to cover changes *imposed on NG through EU legislation*. Our view is that the changes proposed by 0541 are not imposed on National Grid NTS by EU legislation.

Unlisted: *Workgroup members took an action to provide feedback on the Draft Workgroup Report*

See separate document.