**WORKGROUP 0621 - DRAFT FOR COMMENT BY 5PM THURSDAY 03 MAY 2018**

**Interaction between UNC0621 (incl. A, B, C, D, E, F, H, J, K, L), UNC0636 (incl. A, B, C, D) and UNC0653**

A number of Workgroup participants are concerned about the overlapping and interacting timescales of Modifications UNC0621 and its alternatives and other Modifications that are in progress, including Modifications UNC0636/A/B/C/D and UNC0653.

Ofgem requested at the UNC Panel on 19 April 2018 that the 0621 Workgroup further consider the interactions between UNC0621 (incl. A, B, C, D, E, F, H, J, K, L), UNC0636 (incl. A, B, C, D) and UNC0653. These interactions are further explored below.

The main concern with regards to UNC0621 and its alternatives is that subsequent change to the UNC baseline following a decision on any other Transmission charging related modification could cause complications and/or delays with regards the Authority decision on UNC 0621 that is required to enable compliance with EU law. If, for example, UNC0636 was decided upon after the Final Modification Report (FMR) for UNC0621 and its alternatives is submitted, there is no defined process of what changes, if any, to the Modifications/Workgroup report/FMR may be required to assist Ofgem in its decision making.

UNC0621 and its alternative modifications propose new NTS Optional Charging arrangements from 01 October 2019. After 30 September 2019 the NTS Optional Commodity Charge ends and is replaced with the NTS Optional Charge (NOC). Most of these modifications have the same formula structure to the current NTS Optional Commodity Charge with exemptions from Revenue Recovery charges on eligible volumes. UNC0621C proposes a new approach to managing inefficient bypass through the charging framework that is materially different in structure to the proposals of UNC0621 and UNC0636 (and the alternatives).

UNC0636 proposes changes to the NTS Optional Commodity charge prior to 01 October 2019, potentially with effect from 01 October 2018.

UNC0653 proposes an alternative charging arrangement for the NTS Optional Charge similar to that proposed in UNC0621C. It is anticipated that UNC0653 may follow the same timeframes as UNC0636 for consultation and decision but with a different implementation date (1 Oct 19 for UNC0653).

UNC0621 (and its alternatives) and UNC0636 (and its alternatives) are proposing to change the same part of UNC Section Y, UNC Section B and EID, albeit to differing degrees, with UNC0621 a more fundamental change than UNC0636.

The analysis for UNC0621 shows the potential impacts comparing to **current** arrangements. It is not possible to show what the changes would be from any of the UNC0636 modifications as there has been no decision reached on this proposal at the time of consideration (early May 2018). In the event of a decision to implement one of the UNC636 modifications, this does not change the analysis carried out for UNC0621 in terms of what the charges would change **to** upon any implementation of UNC0621. It would however change the baseline from the UNC and charges that it would change **from**, which could mean any proposed change would have to be developed on the new baselined UNC rules (i.e. post UNC0636, A, B, C, D or UNC0653).

Given the combinations of options that could be assessed, it is not considered practical to assess these (i.e. all of the five UNC0636 modifications each, with all 11 UNC0621 modifications). The overall proposals between UNC0636 and its alternatives are very different to the overall proposals for UNC0621 and its alternatives. It would only be prudent to assess if, or when, UNC0636 was decided upon (post 0636 consultation) and part of that decision required any assessment or analysis therein although, at this stage it is recognised that this would be difficult given the major differences between the proposals of UNC0621 and its alternatives and UNC0636 and its alternatives and may not add material value in producing any comparisons. This could also impact the required ACER consultation required under the Tariff Code depending on the timing of any decision on UNC0636 [add more re: potentially misleading consultation].

If required any changes could be accommodated through the UNC Panel and Modification process as required. Options to address this could include:

* Require the Legal text amendments to be updated to reflect the changed baseline then re-submitted without or with little Workgroup development;
* Sending back to Workgroups and follow the UNC change process to update the Workgroup report, including Legal text;

These situations are rare where separate modifications are proposing to change the same parts of the UNC with different dates for implementation and in particular overlapping consultation periods. The UNC Modification rules do not adequately cover this situation to provide certainty on how it will be managed, when or if, one of the modifications is decided on when the other(s) are pending a decision or are still in the consultation stages of change or how through the modification rules one may or should take precedence over any other modification.

The summary of each proposal can be seen through the analysis presented in the respective Workgroup reports and supporting analysis / papers. UNC0636 can be reviewed independent of UNC0621. If UNC0636, A, B, C or D were implemented then it would not change the summaries provided under UNC0621, A, B C, D, E, F, H, J, K and L). The two Modifications are independent. The only change would be **the baseline it was changing from**. UNC0636 proposes only changes to the NTS Optional Commodity Charge. UNC0621 proposes changes to the whole charging framework. Therefore to analyse the differences between current and post UNC0636 would only present a comparison of one part of the many aspects UNC0621 (which is a package of interacting changes) is proposing to change and not be a meaningful comparison as it would not be comparing like for like.

Comparing UNC0636 and UNC0621, at a high level, on the specifics of any comparable NTS Optional Charge, which is only one part of the UNC0621 proposals:

* National Grid has calculated that rates for eligible volumes would generally be lower under UNC0621 than UNC0636 except for UNC0636B and certain Optional Charges under UNC0636C and UNC0636D where they will be higher (e.g. where the nominated Entry or Exit point is an Interconnection Point). The proposals and assessment against the relevant objectives for UNC0621 may need to be reviewed in light of any changes implemented from UNC0636 as the justification of the proposed changes could be materially different.
* Accessible “routes” would be limited to 60km under UNC0621 (noting the exception to the different approach under UNC0621C). This will reduce the eligible quantities compared to all proposals for UNC0636.
* UNC0621C cannot be compared in this way given the different method of including the NTS Optional Charge into the overall methodology proposals. It is not a comparable model to UNC 0636 but is very similar to UNC 0653.

Workgroup view

The majority/some of Workgroup participants thought that If one of the 636 proposals were to be implemented this could seriously jeopardise GB’s ability to comply with the EU regulations.