











UNC Modification		At what stage is this document in the process?
<h1>UNC 0662:</h1> <h2>Revenue Recovery at Combined ASEPs.</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>The purpose of this modification is to allow entry capacity booked for the entry of gas into the NTS from storage sites within combined Aggregated System Entry Points (ASEPs), to be treated the same as a “Storage Site” as designated in National Grid’s Licence with respect to the application of any revenue recovery charge based on capacity bookings.</p>		
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> considered a material change and not subject to self-governance assessed by a Workgroup. <p>This modification will be presented by the Proposer to the Panel on 21 June 2018. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>	
	<p>High Impact:</p> <p>Shippers and National Grid NTS</p>	
	<p>Medium Impact:</p> <p>None</p>	
	<p>Low Impact:</p> <p>None</p>	

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Timetable		 0121 288 2107
The Proposer recommends the following timetable:		Proposer: Colin Hamilton National Grid
Initial consideration by Workgroup	05 July 2018	 enquiries@gasgovernance.co.uk
Workgroup Report presented to Panel	18 April 2019	 colin.j.hamilton@nationalgrid.com
Draft Modification Report issued for consultation	19 April 2019	 01926653423
Consultation Close-out for representations	21 June 2019	Transporter: National Grid
Final Modification Report available for Panel	25 June 2019	Systems Provider: Xoserve
Modification Panel decision	18 July 2019	 commercial.enquiries@xoserve.com

1 Summary

What

This modification proposal seeks to align the treatment of historical entry capacity associated with storage points within a combined ASEP to that of points identified as storage points in the Transporter's Licence with respect to any revenue recovery charge based on capacity.

Why

UNC Modification 0621 and some of its alternative modifications propose to introduce a capacity-based revenue recovery charge at interconnection points from 01 October 2019 and at all points from 01 October 2021. Any historical capacity at storage sites shall be exempt from this charge. UNC Modification 0501 split the capacity at Bacton ASEP and created two new points: Bacton IP and Bacton UKCS. This resulted in some capacity procured for storage purposes at Bacton being reallocated to Bacton IP. If no action is taken, then all booked capacity at Bacton IP shall attract the capacity-based revenue recovery charge from 01 October 2019.

The requirement for this Modification will be dependent on which (if any) of the UNC 0621 or its alternatives are implemented in Spring 2019, following an Ofgem decision (expected March 2019).

How

Where entry capacity has been identified as procured for storage purposes within an ASEP that is not classified as a storage facility within National Grid's Licence, it is proposed that an adjustment be made to the calculation of a relevant User's Fully Adjusted Available Entry Capacity when calculating any capacity-based revenue recovery charge.

2 Governance

Justification for Self-Governance

Authority Direction is proposed because this Modification seeks to preserve alignment in the treatment of shippers who have procured capacity for entering gas into the NTS from storage sites. This UNC modification introduces a transitional arrangement as any entry capacity impacted by this UNC Modification is already existing and it is not foreseen that the situation being addressed here could occur in the future due to the Planning & Advanced Reservation of Capacity Agreement (PARCA) process.

If implemented, it may not have a material impact on the allocation of charges across NTS Network Users. Workgroup will be asked as part of the development whether the Modification could potentially be considered for self-governance as the impact is further assessed and detailed during Workgroup Development.

Requested Next Steps

This modification should:

- Be considered a material change and not subject to self-governance; and
- Be issued to Workgroup for assessment.

3 Why Change?

UNC Modification 0621 and a number of its alternatives propose the introduction of a capacity-based revenue recovery charge at interconnection points from 01 October 2019 and at all points from 01 October 2021. Any existing capacity at storage sites shall be exempt from this charge. This shall replace the current flow-based revenue recovery charge. At present, if capacity procured for the purpose of storage is not flowed against then no revenue recovery charge is applied. An issue arises as there are situations where capacity was procured for storage purposes at sites that include other sources of gas and are therefore not classed as storage sites within the Licence. If no action is taken, then all booked capacity at such sites shall attract the capacity-based revenue recovery charge. This creates an asymmetry of treatment between shippers holding capacity at ASEPs listed as storage sites within National Grid's Licence and shippers holding capacity procured for the purpose of operating a storage site within an ASEP not designated as a storage site within the Licence.

A specific case is capacity booked at Bacton (both IUK and IP) that was bought for storage projects that have now been abandoned. Some capacity bought for the storage project at Bacton may have been reallocated to Bacton IP as part of the methodology used in the Bacton split (UNC 0501 see: <https://www.gasgovernance.co.uk/0501>).

4 Code Specific Matters

Reference Documents

Revenue recovery charge based on capacity:

<https://www.gasgovernance.co.uk/index.php/0621>

Bacton split:

<https://www.gasgovernance.co.uk/index.php/0501>

Knowledge/Skills

An understanding of the proposed changes arising from the Charging Review.

5 Solution

Where there is capacity procured for storage purposes within an ASEP, it is proposed that an adjustment is made to the calculation of a relevant User's Fully Adjusted Available Entry Capacity (a parameter currently used for determining overruns) for calculating any capacity-based revenue recovery charge. For

the avoidance of doubt, the overrun calculation will not be affected, it is only the Fully Adjusted parameter that may be adjusted when calculating any capacity-based revenue recovery charge.

The key challenge here is to identify the capacity quantity within a combined ASEP that is exempt from the revenue recovery charge. This quantity shall be the Applicable Registered NTS Entry Capacity associated with storage.

It is proposed that the identification of such relevant capacity shall be undertaken as a one-off application process.

In this application process, Users shall submit a quantity associated with their existing NTS Entry Capacity rights held that were allocated before the Effective Date as referenced in UNC Modification 0621 (or one its alternatives) applicable to capacity for Gas Year 2019 and beyond.

This capacity would be held for each quarter from 01 October 2019 for which they wish such quantity to be considered for exclusion from any capacity based revenue recovery charge, on the basis that it was procured to ensure entitlement to deliver gas into the NTS from a storage facility within an ASEP not listed as a storage site within National Grid's Transporter's Licence.

High level view of the assessment process

1. Within [10] business days of the implementation of this Modification, National Grid NTS will invite all Users who at that time hold Registered Entry Capacity at Bacton to indicate what quantity of their Registered Entry Capacity and duration from 01 October 2019 they wish to be assessed as being exempt from any capacity-based revenue recovery charge due to the capacity being associated with an abandoned storage project.
2. The invitation shall state,
 - a. The date within [10] business days of the invite and means by which Users can signal the required quantities to be assessed for each relevant Quarter.
 - b. The period for which User requests can be sent.
 - c. [Any relevant documentation to support their application (*The nature of such documentation that is considered relevant shall be detailed in the invitation letter*).]
 - d. The date by which National Grid NTS will provide feedback to Users regarding the result of the assessment.
3. The assessment process shall include comparison of the requested quantities for exemption to any relevant Feasibility Study Report performed by National Grid NTS for a storage project that was subsequently abandoned.

Adjustment process to the Fully Adjusted Entry Capacity

Any exemption quantity determined in the agreed process can then be applied to the calculation of the Fully Adjusted entitlement of any relevant shipper. The exempt quantity shall be adjusted for any transfers out of entitlement. This assumes that any capacity entitlement associated with an abandoned storage project shall be transferred, before any other capacity held by the shipper.

The algorithm for the User's Fully Adjusted Capacity qualified for revenue recovery shall be:

$$F_{RR} = \max(0, (F_{adj} - \max(0, (A - T_{out}))))$$

Where,

F_{RR} = User's Fully Adjusted Capacity qualified for revenue recovery

F_{adj} = User's net capacity entitlement (Registered capacity adjusted for transfers in and out)

A = Abandoned Capacity as identified through an application and assessment process

T_{out} = Transfers out (trades, surrenders, buybacks, options etc.)

6 Impacts & Other Considerations

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

N/A

Consumer Impacts

This is likely to be immaterial as this proposed modification simply maintains the exemption of shippers at storage sites to any revenue recovery charge.

Cross Code Impacts

None identified.

EU Code Impacts

None identified.

Central Systems Impacts

To be discussed during the development of this modification proposal, but there may be impacts on Gemini.

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 (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	Positive

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.	None
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.	Positive

Impact of the modification on the Relevant Charging Methodology Objectives:	
Relevant Objective	Identified impact
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;	None
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; and	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.	Positive

Demonstration of how the Relevant Objectives are furthered.

Standard Relevant Objectives:

c) Efficient discharge of the licensee's obligations.

The proposed solution supports the implementation of changes to an updated set of charging arrangements. Standard Special Condition A5(5) of the Licence sets out the relevant methodology objectives and National Grid believes that these objectives are better facilitated for the reasons outlined below ('Relevant Charging Methodology Objectives').

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.

The EU Tariff Code compliance is in this modification proposal.

Relevant Charging Methodology Objectives:

b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account developments in the transportation business.

The proposed solution takes into account developments which have taken place in the transportation business, in particular the introduction of discounts for certain classifications of capacity introduced by the EU Tariff Code.

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; and the proposed solution takes into account developments which have taken place in the transportation business, in particular the introduction of discounts for certain classification of capacity introduced by the EU Tariff Code.

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.

The EU Tariff Code compliance is in this modification proposal.

8 Implementation

No implementation timescales are proposed as these will be discussed within the Workgroups.

This modification and the resulting methodology change will take effect for prices from 01 October 2019, in order to maintain the alignment in the treatment of entry capacity associated with storage.

9 Legal Text

Text Commentary

To be provided later.

Text

To be provide later.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to determine that this modification:

- Be considered a material change and not subject to self-governance; and
- Be referred to a Workgroup for assessment.