

UNC Modification	At what stage is this document in the process?
<h1>UNC 0XXX:</h1> <h2>Incremental NTS Entry Capacity Surrender</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #008000; color: white; padding: 2px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em; margin-right: 5px;">01</span> Modification         </div> <div style="border: 1px solid blue; padding: 2px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em; margin-right: 5px;">02</span> Workgroup Report         </div> <div style="border: 1px solid purple; padding: 2px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em; margin-right: 5px;">03</span> Draft Modification Report         </div> <div style="border: 1px solid orange; padding: 2px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em; margin-right: 5px;">04</span> Final Modification Report         </div> </div>
<p><b>Purpose of Modification:</b> To allow incremental NTS entry capacity to be surrendered.</p>	
	<p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> <li>subject to self-governance</li> <li>assessed by a Workgroup</li> </ul> <p>This Modification will be presented by the Proposer to the Panel on 15 October 2020. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: Shippers</p>



## 1 Summary

### What

This proposal seeks to allow Users to surrender incremental NTS entry capacity allocated as a result of bids in entry capacity auctions in the period from April 2017 to September 2020.

### Why

When developing projects that require NTS entry capacity, incremental entry capacity will be released if the entry capacity release methodology requirements are met. By meeting these requirements, the principle of user commitment is delivered. Bids for NTS entry capacity assessed in auctions between April 2017 and September 2020 were assessed on the basis of the published reserve prices, and Shippers were able to develop bidding strategies designed to meet the entry capacity release tests.

Following implementation of Modification 0678A, Amendments to Gas Transmission Charging Regime (Postage Stamp), the prices to be paid for incremental capacity can be materially different to the prices that triggered incremental capacity being allocated, and the resulting user commitment may be materially increased. Bidding strategies may have been materially different if the eventual prices had been known, although still designed to ensure the necessary user commitment was demonstrated.

### How

It is proposed that Users are able to apply to National Grid NTS to surrender incremental capacity that was allocated in the period from April 2017 to September 2020. If National Grid NTS accept the application, the User's capacity holdings will be reduced.

## 2 Governance

### Justification for Self-Governance

The value of incremental capacity that would fall within the remit of this modification proposal is not material and hence self-governance is appropriate.

### 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?

Development of projects that require NTS Entry Capacity can be underway at any time. Having assured NTS entry rights is a critical project issue. The routes for acquiring NTS Entry Capacity are well established, notably bidding for incremental entry capacity in QSEC auctions. Incremental capacity will be released if the entry capacity methodology requirements are met. By meeting these requirements, the principle of user commitment is delivered.

While Modification 0678, Amendments to Gas Transmission Charging Regime, was under consideration, entry related projects were not put on hold. Those requiring entry capacity after April 2017 could see the published

reserve prices and create bidding strategies based on those prices. This was the only possible strategy since any such bids would be assessed by National Grid NTS on the same basis. Following implementation of Modification 0678A, Amendments to Gas Transmission Charging Regime (Postage Stamp), the prices to be paid from 1 October 2020 for incremental capacity released after April 2017 can be materially different to the prices that triggered incremental capacity being allocated, and the resulting user commitment may be materially increased. Bidding strategies may have been materially different if the eventual prices had been known, although still designed to ensure the necessary user commitment was delivered.

A consequence of Modification 0678A being implemented is therefore that some Users will face costs for entry capacity that are well in excess of the indicated user commitment level, and these Users may have bid significantly differently if there had been any way in which the eventual outcome would be known. In essence, the user commitment level has been changed retrospectively, potentially leaving Users facing materially higher charges than could reasonably have been anticipated, and the Proposer would suggest that this retrospective impact appears to be an unintended consequence of Modification 0678A.

## 4 Code Specific Matters

### Reference Documents

None

### Knowledge/Skills

None

## 5 Solution

It is proposed that the UNC be amended to include a provision that Users who have been allocated incremental NTS entry capacity following auctions held in the period between 1 April 2017 and 30 September 2020 can, within one month of this Modification being implemented, make an application to National Grid NTS for entry capacity to be surrendered. The application must indicate the amount of capacity for which surrender is being sought, which must be no more than the quantity allocated and must be specified as the reduction in capacity that is being sought each day across the whole period for which surrender is being sought. Users would not, therefore, be able to sculpt the surrender but only specify a daily reduction to apply uniformly across a period.

It is proposed that National Grid NTS must accept or reject each application to surrender capacity within one month of receiving such application. While it is not proposed to specify the grounds on which National Grid NTS may accept or reject any application, leaving discretion to take in to account the specific circumstances, it is suggested that a key criteria should be that the amount expected to be collected from the relevant User should be no less than the initially anticipated user commitment (i.e. the allocated volume multiplied by the reserve price published at the time).

## 6 Impacts & Other Considerations

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

No.

**Consumer Impacts**

None

**Cross Code Impacts**

None

**EU Code Impacts**

None

**Central Systems Impacts**

It is believed that existing capacity reduction provisions in Central Systems will be able to accommodate any reductions in entry capacity holdings.

**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.	None
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.	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

Efficient allocation of NTS entry capacity supports Users paying for the capacity they use, delivering cost reflectivity and so helping to secure effective competition.

## 8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

## 9 Legal Text

### Text Commentary

While it is expected that National Grid NTS will provide legal text for this Modification and will decide how the proposal is best incorporated within the UNC, as a one-off opportunity to apply for capacity surrender is envisaged, inclusion in the transition document would seem appropriate.

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Agree that self-governance procedures should apply
- Refer this proposal to a Workgroup for assessment.