





UNC Modification	At what stage is this document in the process?
<h1>UNC 07XX:</h1> <h2>Enhancement of Exit Capacity Assignments</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #28a745; color: white; padding: 5px; border-radius: 5px;">01 Modification</div> <div style="border: 1px solid #17a2b8; background-color: #e6f2ff; padding: 5px; border-radius: 5px;">02 Workgroup Report</div> <div style="border: 1px solid #d4edda; background-color: #fff3cd; padding: 5px; border-radius: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid #ffc107; background-color: #fff3cd; padding: 5px; border-radius: 5px;">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>Enhancing the existing Exit Assignment arrangements to enable Network Users to transfer in part, both the Capacity and associated Liability at an Exit Point, to complement the existing transfer in full facility.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>considered a material change and not 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 21 Jan 2021. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: NTS Users</p>
	<p>Low Impact: None</p>

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Timetable		
<b>The Proposer recommends the following timetable:</b>		
Pre-modification Discussion	03 December 2020 & 07 January 2021	
Modification considered by Panel	21 January 2021	
Initial Consideration by Workgroups	04 February 2021  (unless the Modification is assigned to UNC0705 - Capacity Access Review rather than Transmission Workgroup)	
Workgroup Report presented to Panel	15 April 2021	
Draft Modification Report issued for consultation	16 April 2021	
Consultation Close-out for representations	28 May 2021	
Final Modification Report available for Panel	04 June 2021	
Modification Panel decision	17 June 2021	
		 Any questions?
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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 greater 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 Gemini would provide Users with the ability to assign exit capacity and liability in part rather than just being able to transfer capacity as is currently allowed. Updates to the UNC and the Exit Capacity Release Methodology Statement would be required to facilitate this.

Users would 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 portfolio as they are currently, but Users would 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 Authority Direction

The changes would not disadvantage any User type more or less than any other, however it will have a material effect on transportation arrangements for Shippers.

### Requested Next Steps

This modification should:

- be considered a material change and not 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. A previous Modification, UNC0276, addressed this same issue and was approved by Ofgem but never implemented due to a dispute over the costs spread back over Users via the User Pays process. With the request from industry to develop an Entry Assignment product, we felt it would be sensible to revisit the Exit modification and implement both solutions in the same system design to make the most efficient use of the cost.

The benefits laid out in UNC0276 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 either Shipper default on this arrangement, the matter would be resolved through the terms of that agreement and legal fees could be incurred. The assignment of that capacity ends the need for a third-party agreement as a new arrangement between National Grid and assignee Shipper removes the liability from the original holder and keeps the associated risks with National Grid.

## 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 Section B, which relates to the existing Exit Capacity Assignment arrangements will be required.

1. Implementation would 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, would also be assigned for the remainder of the User Commitment period. The assignor User would retain the remaining User commitment, adjusted based on the assigned value.
3. Users would 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, from 1 kWh/day for the full period, up to the full booking.

4. The assignee User would pay the published Exit Transmission Services rate applicable to the period being assigned.
5. The assignee User would also pay any Entry Transmission Services Revenue Recovery Charges applicable to the Capacity and Period Assigned to them.
6. This functionality would be available at all Exit Points including DN Offtakes, Storage and Interconnectors; however, any Bundled Capacity booked at an Interconnector, Capacity which is matched to Capacity available at the adjoining TSO, would be excluded from this arrangement. Unbundled Capacity, as per Section 5.1 clause 7 of the CAM Network Code, can be traded on the secondary market which, under this Modification, would include the ability to be Assigned.
7. A partial assignment would 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?

No, it does not.

### Consumer Impacts

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

Capacity Assignors would 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 would 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.

### Cross Code Impacts

None

### EU Code Impacts

No changes are proposed which would impact EU codes.

We intend to retain the current status quo, with no proposed changes to Section Y that would impact TAR NC compliance.

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

### Central Systems Impacts

System enhancements would be required in Gemini to enable this and the corresponding Entry solution, [Modification 07XX]. We expect there to be a degree of overlap in the solutions, so would request that they be implemented by the same project team. Ideally together, but separation of the two modifications would allow work to progress should one modification be approved before a decision has been made on the other. Should implementation of the two proposal diverge, we would expect the initial modification to be the more costly of the two, with the additional requirements of second contributing only smaller, incremental costs to the total.

[A ROM requested in 2010 as part of Modification 0276 suggested a maximum cost of £685k. Early Estimates from Xoserve suggested a system development time of approximately 40-50 weeks and a cost ranging between £1.2m and £1.5m to implement both an Entry and Exit solution simultaneously, though this included a significant risk factor as the Modification parameters were not as well defined at the time of the initial discussion. More up to date and reflective figures would be available following the formal request of a ROM for this specific modification and its requirements.]

## 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.	Positive
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

The modification will allow Shippers another option when acquiring or disposing of capacity at an ASEP. We believe it will aid long-term profiling and reduce reliance on the short-term markets which could provide Grid with more reliable long-term booking data, leading to better forecasts in relation to Network Capability & investment needs as well as providing more accuracy & stability in price setting.

Users would have more flexibility and confidence in the management of Registered NTS Exit (Flat) Capacity. In particular, it would 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 a customer 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 would 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.

## 8 Implementation

From initial discussions with industry, it was hoped that an implementation date of 01 October 2021 could be achieved.

While all efforts are being made to try to realise this date, early discussions with Xoserve suggest that an implementation date during Spring 2022 may be a more realistic.

Timescales will be more accurately assessed following receipt of a ROM

## 9 Legal Text

Legal text will be drawn up by the Transporter at a time when the modification is sufficiently developed in line with the [Legal Text Guidance Document](#).

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Agree that the modification should not be subject to self-governance and that Authority Direction should apply
- Refer this proposal to a Workgroup for assessment.