

UNC Modification	At what stage is this document in the process?
<h1 data-bbox="134 322 655 412">UNC 0877:</h1> <h2 data-bbox="129 450 1179 658">Alignment of TO Revenue and TO Correction terms to the current Gas Transporter Licence</h2>	<div data-bbox="1209 309 1465 627"> <div style="border: 1px solid green; background-color: #28a745; color: white; padding: 5px; margin-bottom: 5px;">01 Modification</div> <div style="border: 1px solid #17a2b8; background-color: #e6f2ff; padding: 5px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 1px solid #c39bd3; background-color: #fff3f3; padding: 5px; margin-bottom: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid #ffc107; background-color: #fff3cd; padding: 5px;">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>This Modification proposes the update of the Transport Owner Revenue term (TORt) and Transport Owner Correction term (TOKt) within UNC Transportation Principal Document (TPD) Section F to align them with the term within the current National Gas Transmission (NGT) Gas Transporter Licence applicable from 01 April 2021 that is used in the calculation of the Default System Marginal Price Calculation.</p>	
<p><b>Next Steps:</b></p> <p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> <li>• subject to Self-Governance</li> <li>• proceed to Consultation</li> </ul> <p>This Modification will be presented by the Proposer to the Panel on 16 May 2024. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>	
<p><b>Impacted Parties:</b></p> <p>High:</p> <p>Low:</p> <p>None: All NTS Users</p>	
<p><b>Impacted Codes:</b></p> <p>UNC TPD Section F will be updated</p>	

Contents		
1	Summary	3
2	Governance	3
3	Why Change?	4
4	Code Specific Matters	4
5	Solution	5
6	Impacts & Other Considerations	5
7	Relevant Objectives	6
8	Implementation	7
9	Legal Text	7
10	Recommendations	7
Timetable		
<b>Modification timetable:</b>		
Pre-Modification Discussed	07 May 2024	
Date Modification Raised	02 May 2024	
New Modification to be considered by Panel	16 May 2024	
Consultation Close-out for representations	07 June 2024	
Final Modification Report available for Panel	12 June 2024	
Modification Panel decision	20 June 2024	
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## 1 Summary

### What

This Modification proposes to update references within UNC TPD Section F to two Licence terms ( $TOR_t$  and  $TOK_t$ ) that are referenced in the calculation of the Default System Marginal Price (SMP). These terms are no longer in NGT's current Gas Transporter Licence and therefore need to be updated. These terms will be replaced with the Adjusted Revenue term (ADJR<sub>t</sub>) which is a current Licence term. The ADJR<sub>t</sub> is an Allowed Revenue term that is independent of K and is the value that is used in the Default SMP calculation.

### Why

UNC TPD Section F 1.1.2 (j) contains the terms  $TOR_t$  and  $TOK_t$ , stating that such terms are defined in Special Condition 2.1 of National Gas Transmission's Transporter's Licence. In previous Licences, the  $TOR_t$  and  $TOK_t$  terms mean respectively, the NTS TO revenue in respect of formula year t, and the NTS TO revenue adjustment term in respect of formula year t. However, the current Licence does not contain these terms and the UNC should therefore be updated.

UNC [0774S - Alignment of UNC TPD to the National Grid Licence in respect of the NTS](#), implemented on 08 October 2021, made changes to the references within UNC TPD to correctly align to the Conditions in the current NGG Licence. However, although the Licence reference within TPD Section F 1.1.2 (j) was updated from Special Condition 2A to Special Condition 2.1, the fact that the terms were no longer in use was not noticed and therefore not included in the update.

### How

The current Licence replaces the  $TOR_t$  term with RR<sub>t</sub> which is the TO Recovered Revenue term and the  $TOK_t$  term with K<sub>t</sub> which is the Transportation owner correction term. However, given that the Recovered Revenue is not known at the time of Default SMP calculation, the Allowed Revenue term, AR<sub>t</sub> is a more appropriate term from the current Licence to use.

As the current Licence contains the Adjusted Revenue term (ADJR<sub>t</sub>), which is an Allowed Revenue term, independent of K<sub>t</sub>, we propose the replacement of both the  $TOR_t$  and  $TOK_t$  terms with the ADJR<sub>t</sub> term to simplify the UNC text while also aligning it with the current Licence drafting.

An amendment is proposed to UNC TPD Section F Paragraph 1.1.2 (j), replacing the current references to  $TOR_t$  and  $TOK_t$  with a reference to the ADJR<sub>t</sub> term. This will align the UNC to the term within NGT's current Gas Transporter Licence that is used in the Default SMP calculation.

## 2 Governance

### Justification for Self-Governance

This UNC Modification proposal should be classed as a Self-Governance Modification. It aims to update out-of-date Licence terms with a term from the current Licence. It has no effect on existing or future gas consumers, competition between parties, or operation of network systems nor will it unduly discriminate between different classes of UNC parties.

### Requested Next Steps

This Modification should:

- be considered a non-material change and subject to Self-Governance.
- proceed to Consultation.

This Proposal will be discussed as a Pre-Modification discussion at NTSCMF in May. Given the Proposal is fully developed and the relative simplicity of the proposed change, we believe that it is not necessary for the Proposal to be sent to Workgroup for development and request that the Panel issue the Modification straight to consultation.

### 3 Why Change?

This UNC Modification seeks to facilitate the amendment of the following two defunct Licence terms found within UNC TPD Section F 1.1.2, to align them with the term within NGT's current Gas Transporter Licence that is most appropriate to be used in the Default System Marginal Price calculation.

**Transportation Owner Revenue (TORt) term:** The TORt term was used in the previous Licence, applicable for the RIIO-T1 price control period, and replaced in April 2021 when the current RIIO-TR2 Licence came into effect.

**Transportation Owner Correction (TOKt) term:** The TOKt term has not been used in the Licence since the TPCR4 Licence which preceded the RIIO-T1 price control period.

The TORt and TOKt terms remain in UNC as part of the calculation of the "Average Forecast NTS Capacity Charges" which in turn are used in the calculation of the "Default System Marginal Price" within TPD Section F 1.1.2. An update to the terms is therefore required to ensure there is no confusion in the values which are used in the calculation.

In the current Licence, the TORt term is replaced with the TO Recovered Revenue Term, RRt. However, given that the Recovered Revenue is not known at the time of Default SMP calculation, the Allowed Revenue term, ARt is the more appropriate term from the current Licence to use in the calculation.

When the RIIO-T1 Licence was introduced the Transportation Owner correction term (TOKt) term was no longer used and was replaced by the Kt term, this term then continued to be used as the current RIIO-T2 Licence replaced the RIIO-T1 Licence.

The Adjusted Revenue (ADJRt) is a term from the Licence which is equal to the Allowed Revenue (ARt) independent of the K correction and any legacy adjustments. It is therefore proposed that the ADJRt replaces TORt and TOKt terms, aligning the UNC with the most appropriate term within the current Licence.

### 4 Code Specific Matters

#### Reference Documents

[TPD Section F](#)

[National Grid Gas Transporter Licence Special Conditions](#)

#### Knowledge/Skills

None

## 5 Solution

The TORt and TOKt terms within UNC TPD Section F will be replaced with the ADJRt term to reflect the drafting in the current Licence (applicable from 01 April 2021) and the practical calculation of the Default SMP. The description of “Average Forecast Capacity Charges” TPD Section F 1.1.2 (j) will therefore be amended as detailed below.

Current wording:

(j) **“Average Forecast NTS Capacity Charges”** are the charges (in pence per kilowatt hour (p/kWh)) determined as TORt less TOKt (both such terms being defined in Special Condition 2.1 of National Gas Transmission’s Transporter’s Licence) in respect of the Formula Year commencing in the Gas Year in which the Default System Marginal Price Statement is published, divided by the 1 in 20 peak day demand in relation to the Gas Year following the Gas Year in which the Default System Marginal Price Statement is published;

New wording:

(j) “Average Forecast NTS Capacity Charges” are the charges (in pence per kilowatt hour (p/kWh)) determined as ADJRt (as defined in Special Condition 2.1 of National Gas Transmission’s Transporter’s Licence) in respect of the Formula Year commencing in the Gas Year in which the Default System Marginal Price Statement is published, divided by the 1 in 20 peak day demand in relation to the Gas Year following the Gas Year in which the Default System Marginal Price Statement is published.

## 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 - the Modification will have no impact on Consumers.

**What is the current consumer experience and what would the new consumer experience be?**

No User groups will be impacted.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability	None
Lower bills than would otherwise be the case	None
Reduced environmental damage	None
Improved quality of service	None

Benefits for society as a whole	None
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**Performance Assurance Considerations**

There are no PAC considerations.

**Cross-Code Impacts**

None.

**EU Code Impacts**

None.

**Central Systems Impacts**

None.

**7 Relevant Objectives**

Impact of the Modification on the Transporters' 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.	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.	Positive
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

As this proposal is updating out of date Licence terms within UNC TPD Section F to align with NGT's current Licence, the broader Standard Relevant Objective f) (Promotion of efficiency in the implementation and

administration of the Code) is better facilitated by ensuring that the UNC contains the correct terms from the current Licence.

No changes are proposed to UNC TPD Section Y therefore we consider there is no overall impact on any Charging Methodology Relevant Objectives.

## 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

Amend UNC TPD Section F 1.1.2 (j) as outlined below to ensure the Licence terms align with the RIIO-T2 Licence.

### Text

(j) **“Average Forecast NTS Capacity Charges”** are the charges (in pence per kilowatt hour (p/kWh)) determined as ~~TORt less TOKt~~ **ADJRt** (~~both such terms being as~~ defined in Special Condition 2.1 of National Gas Transmission’s Transporter’s Licence) in respect of the Formula Year commencing in the Gas Year in which the Default System Marginal Price Statement is published, divided by the 1 in 20 peak day demand in relation to the Gas Year following the Gas Year in which the Default System Marginal Price Statement is published;

## 10 Recommendations

### Proposer’s Recommendation to Panel

Panel is asked to:

- Self-Governance procedures should apply.
- Issue this Modification directly to Consultation.