

0541B:

Ex-post removal of uncontrollable UNC charges at ASEP's which include sub-terminals operating on a 06.00 to 06.00 Gas Day.

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

Removal of uncontrollable UNC charges incurred by shippers allocated 0500 to 0500 Gas Day User Daily Input Quantities at ASEP's which include sub-terminals operating on a 0600 to 0600 Gas Day. This is achieved through ex-post ~~adjustments credits to a second category of capacity, and balancing, scheduling and INS charges neutrality adjustment accounts.~~



The Proposer recommends that this modification should be:

- assessed by a Workgroup














High Impact: Shippers



Medium Impact: None



Low Impact: None

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About this document:		 01926 655031
This modification was presented by the proposer to the panel on 16 July 2015 as Modification 0543. Following the Panel's consideration Modification 0543 was withdrawn and renumbered to Modification 0541B.		Systems Provider: Xoserve
The Proposer recommends the following timetable:		 commercial.enquiries@xoserve.com
Initial consideration by Workgroup	06 August 2015	 telephone
Workgroup Report presented to Panel	07 August 2015	Additional contacts: Nick Wye
Draft Modification Report issued for consultation	20 August 2015	 nick@waterswye.co.uk
Consultation Close-out for representations	11 September 2015	 01789 266811
Final Modification Report presented to Panel	15 September 2015	
UNC Modification Panel recommendation	17 September 2015	

1 Summary

Is this a Self-Governance Modification?

The proposer does not consider that Self-Governance procedures apply to this modification, as it may have a material effect on competition in the shipping of gas, since the modification attempts to ensure that UNC charges are not unfairly applied to certain Users.

Is this a Fast Track Self-Governance Modification?

No, Fast-Track procedures do not apply because this is not a housekeeping modification.

Why Change?

The European Network Code on Capacity Allocation Mechanisms (“CAM”) stipulates that there should be a harmonised gas Day across the EU. CAM ~~was due to be~~ implemented ~~on~~ 01 November 2015. The European Network Code on Gas Balancing (“BAL”) makes reference to the gas Day as defined in the CAM Network Code. BAL ~~was due to be~~ implemented ~~on~~ 01 October 2015. Both the CAM and BAL Network Codes form part of Regulation (EC) No 715/2009 of the European Parliament dated 13 July 2009 (the “Regulation”). However the Regulation only applies the harmonised gas Day to Interconnection Points and downstream systems within the EU. It does not apply to arrangements “upstream” of the transmission systems (within which the Balancing zones are situated) such as the UK gas beach processing terminals.

The National Transmission System will run a United Kingdom time 0500 hours to 0500 hours gas Day from 01 October 2015. However the majority of United Kingdom gas beach processing sub terminals will continue to run on a United Kingdom time 0600 hours to 0600 hours gas Day on and after 01 October 2015 (the “GMT Terminals”). This is due to the technical challenges and costs that would be incurred in changing all terminal and upstream metering to run on a 0500 hours to 0500 hours gas Day.

Users inputting gas to the NTS from GMT Terminals will only have Day ahead and within Day information about their intended and actual flows on a 0600 hours to 0600 hours basis and will accordingly have to schedule and nominate to National Grid NTS and make “Claims” to the Claims Validation Agent based on 0600 hours to 0600 hours numbers.

National Grid NTS will give the Claims Validation Agent a 0500 hours to 0500 hours metered Entry Point Daily Quantity Delivered for each System Entry Point at a GMT Terminal and the Claims Validation Agent will need to allocate that quantity between Users based on 0600 hours to 0600 hours Claim numbers. There will therefore likely be on all Days mismatches arising from the differences between the 0500 hours to 0600 hours aggregate quantity on one Day and the 0500 hours to 0600 hours quantity on the next Day (“Time Shift Mismatches”).

Without this Modification Users at GMT Terminals would likely incur on every Day NTS Daily Imbalance Charges and Scheduling Charges and potentially Overrun Charges and Incentivised Nomination Charges as a result of the Time Shift Mismatches since they would be out of balance every Day (long or short) depending on whether the Entry Point Daily Quantity Delivered is greater or smaller than the aggregate of all Users’ Claim numbers (“Time Shift Charges”).

Time Shift Charges would be unearned and not capable of mitigation by Users and would not arise from the physical needs of the NTS nor the Users failure to balance. Monies raised from Time Shift Charges would be returned to all Users via the neutrality charge systems. Time Shift Charges would therefore not be in compliance with the principles set out in Regulation that balancing rules should: (i) financially incentivise network users to balance their balancing portfolios via cost reflective imbalance charges; (ii) reflect genuine system needs; (iii) be non discriminatory; and (iv) avoid cross subsidisation.

Solution

Reimbursing Users at GMT Terminals for Time Shift Charges ~~via adjustments to by creating a second category of cCapacity, and bBalancing scheduling and INS Neutrality Charges for Users at GMT Terminals only.~~

This would mean that Users would be reimbursed for Time Shift Charges and would have the effect of preventing Users incurring unearned charges, restore the correct financial incentives to balance and avoid discrimination of Users at GMT Terminals and cross subsidisation by Users at GMT Terminals of all other Users.

Relevant Objectives

The modification better facilitates the achievement of Relevant Objectives d (i) and g.

The proposal ensures that those UNC charges which are levied on Users as a result of mismatches arising from the differences between the 0500 hours to 0600 hours aggregate quantity on one Day and the 0500 hours to 0600 hours quantity on the next Day are reversed through secondary adjustments to capacity and balancing neutrality charges. Users have no control over the “Time Shift Mismatches” and are unable to take any mitigating actions to address them. The imposition of UNC charges which result from the Time Shift Mismatches means that affected Users face unwarranted costs which would be redistributed to all Users via neutrality charges, for example. In combination, these outcomes create inefficiencies in terms of cost allocation and undermine competition.

The proposal better facilitates compliance with Regulation (EC) No 715/2009 following the required change to the gas Day. In short, the proposal ensures that charges are such that they (i) financially incentivise network users to balance their balancing portfolios via cost reflective imbalance charges; (ii) reflect genuine system needs; (iii) are non discriminatory; and (iv) avoid cross subsidisation.

Implementation

No implementation timescales are proposed, however it is anticipated that this modification should be implemented ~~as soon as possible after the on the 01 October 2015, the date on which the Gas Day will be changed to 0500 hours to 0500 hours, or at the earliest possible date thereafter.~~

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

This modification is likely to impact Systems Changes for EU Reform due to the need to acquire “GMT UDQI” data and the subsequent adjustments to Capacity and Balancing Neutrality charges.

2 Why Change?

The Issue

The European Network Code on Capacity Allocation Mechanisms (“CAM”) stipulates that there should be a harmonised gas Day across the EU. CAM ~~was implemented on~~ ~~is due to be implemented from~~ 01 November 2015. The European Network Code on Gas Balancing (“BAL”) makes reference to the gas Day as defined in the CAM Network Code. BAL ~~was~~ ~~is due to be~~ implemented ~~on~~ ~~from~~ 01 October 2015. Both the CAM and BAL Network Codes form part of Regulation (EC) No 715/2009 of the European Parliament dated 13 July 2009 (the “Regulation”). However the Regulation only applies the harmonised gas Day to Interconnection Points and downstream systems within the EU. It does not apply to arrangements “upstream” of the transmission systems (within which the Balancing zones are situated) such as the UK gas beach processing

terminals. The National Transmission System ~~has~~ will run a United Kingdom time 0500 hours to 0500 hours gas Day from 01 October 2015. However the majority of United Kingdom gas beach processing sub terminals ~~will~~ continue to run on a United Kingdom time 0600 hours to 0600 hours gas Day on and after 01 October 2015 (the “GMT Terminals”). This is due to the technical challenges and costs that would be incurred in changing all terminal and upstream metering to run on a 0500 hours to 0500 hours gas Day.

There will be no arrangements (for example linepack flexibility or operational balancing type arrangements) between National Grid NTS and the GMT Terminals to handle mismatches arising from the NTS running on a 0500 hours to 0500 hours gas Day and the GMT Terminals running on a 0600 hours to 0600 hours gas Day.

Impact on Users at GMT Terminals

Users inputting gas to the NTS from GMT Terminals will only have Day ahead and within Day information about their intended and actual flows on a 0600 hours to 0600 hours basis and will accordingly have to schedule and nominate to National Grid NTS and make “Claims” to the Claims Validation Agent based on 0600 hours to 0600 hours numbers.

National Grid NTS will give the Claims Validation Agent a 0500 hours to 0500 hours metered Entry Point Daily Quantity Delivered for each System Entry Point at a GMT Terminal and the Claims Validation Agent will need to allocate that quantity between Users based on 0600 hours to 0600 hours Claim numbers. There will therefore likely be on all Days mismatches arising from the differences between the 0500 hours to 0600 hours aggregate quantity on one Day and the 0500 hours to 0600 hours quantity on the next Day (“Time Shift Mismatches”).

The effect of such Time Shift Mismatches on the existing Claims Validation arrangements would be that: (1) if the Entry Point Daily Quantity Delivered is less than the aggregate of all Users’ Claims, all Users’ Claim numbers and therefore their User Daily Quantity Input quantities will be reduced pro rata; and (2) if the Entry Point Daily Quantity Delivered is greater than the aggregate of all Users’ Claim numbers, the resulting “Time Shift Excess Gas” will be lost to the NTS as unallocated gas. Depending on the overall NTS balance, such Time Shift Excess Gas may be sold by National Grid NTS and the proceeds returned to all Users via the balancing neutrality system rather than just to Users using the GMT Terminals.

In order to prevent the loss of Time Shift Excess Gas on a regular basis as a result Time Shift Mismatches, the shareholders of the Claims Validation Agent are in the process of amending the Claims Validation arrangements so that Time Shift Excess Gas will be allocated to Users at the GMT Terminals rather than be treated as unallocated gas. This will have the effect of increasing each such User’s Claim number and therefore their User Daily Quantity Input quantities. These changes will also enable the Claims Validation Agent to provide National Grid NTS with each User’s UDQI on a 0500 hour to 0500 hours basis and on 0600 hours to 0600 hours basis if required.

Even following such intervention, without this Modification Users at GMT Terminals will likely incur on every Day NTS Daily Imbalance Charges and Scheduling Charges and potentially Overrun Charges and Incentivised Nomination Charges as a result of the Time Shift Mismatches since they will be out of balance every Day (long or short) depending on whether the Entry Point Daily Quantity Delivered is greater or smaller than the aggregate of all Users’ Claim numbers (“Time Shift Charges”).

The Users will be unable to manage or mitigate the Time Shift Charges as they are a factor simply of the difference between the 0500 hours to 0600 hours aggregate quantity on one Day and the 0500 hours to 0600 hours quantity on the next Day. The Time Shift Mismatches will have no effect on the overall physical balance of the NTS. Users will only become aware of their Time Shift Mismatches after the Day.

Time Shift Charges will be unearned and not capable of mitigation by Users and will not arise from the physical needs of the NTS nor the Users failure to balance. Monies raised from Time Shift Charges will be returned to all Users via the neutrality charge systems. Time Shift Charges will therefore not be in compliance

with the principles set out in Regulation that balancing rules should: (i) financially incentivise network users to balance their balancing portfolios via cost reflective imbalance charges; (ii) reflect genuine system needs; (iii) be non discriminatory; and (iv) avoid cross subsidisation.

Put simply, under the existing arrangements GMT shippers incur network charges, in the form of balancing, scheduling and capacity overruns. The continued imposition of these charges is unwarranted, anti-competitive and damaging to shipper businesses operating at the GMT Terminals. Not only do the costs undermine commercial arrangements but their unpredictable nature increases the risk of transacting at the GMT Terminals.

These charges are a result of the enforced conversion of offshore 06.00 to 06.00 allocations to downstream 05.00 to 05.00 allocations combined with the offshore participants and/or National Grid unwillingness to put in place mitigation arrangements. As such the network charges can be categorised as 'phantom costs'; generated purely by an accounting process. There are no system or operational costs caused by the conversion of the upstream allocations and as such all Time shift charges are spurious.

These shippers are victims of the inability of a) the offshore industry to convert to a 05.00 to 05.00 Gas Day, due to the complexities and costs that this would entail and b) National Grid to introduce centrally coordinated services which would manage the Time shift impacts.

The modification proposal reverses out the Time Shift charges, which in turn puts the GMT shippers on an equal footing with others by reimbursing the proceeds distributed to the industry via the neutrality process. It will ensure that contracts entered into at the GMT Terminals are respected and undue commercial risks are eliminated.

3 Solution

Reimbursing Users at GMT Terminals for Time Shift Charges via adjustments to by creating a second category of c)Capacity, and b)Balancing, scheduling and INS-Neutrality Charges, for Users at GMT Terminals only.

This would mean that Users would be reimbursed for Time Shift Charges and would have the effect of preventing Users incurring unearned charges, restore the correct financial incentives to balance and avoid discrimination of Users at GMT Terminals and cross subsidisation by Users at GMT Terminals of all other Users. For the avoidance of doubt, charges will continue to be applied for User imbalances arising from physical imbalances and as such the Users allocated gas at GMT Terminals will not benefit from any positive discrimination.

The Claims Validation Agent will be able to provide National Grid NTS for each User at a System Point at a GMT Terminal (a "GMT System Entry Point") for each Day with a UDQI calculated from National Grid's Entry Point Daily Quantity Delivered (0500 hours to 0500 hours basis) and with a "GMT UDQI" calculated from the User's Claim on an 0600 hours to 0600 hours basis for the "GMT Day" starting on the Day.¹ The User's "Time Shift Quantity" for the Day, being the difference between the UDQI and the GMT UDQI, whether positive or negative, can therefore be calculated.

¹ The obligation to provide the GMT UDQI will sit with the shippers in the UNC, however, it is expected that CVSL will discharge this obligation on the shippers' behalf.

Changes should be made to, inter alia, the following Sections of the Uniform Network Code:

TPD Sections A and E

Add concept of “GMT Day” (i.e. 0600 hours to 0600 hours) and a concept of “Associated GMT Day”, being the GMT Day starting on the Day, to General Terms.

Add a new Section A.5 introducing concept of “GMT System Entry Point” being a System Entry Point connected to facilities using a GMT Day.

Add concept of a “GMT UDQI” being the quantity of gas treated as being entered by the by the User to the Total System on the Associated GMT Day at a GMT System Entry Point to Section E1.1.2 and a new Section E2.4 detailing how GMT UDQI’s will be calculated. Then add concept of a “Time Shift Quantity” being the difference between the UDQI and the GMT UDQI.

Add an obligation on Users to provide a “GMT Entry Allocation Statement” setting out the “GMT UDQI” at the GMT System Entry Point.

TPD Section B – Capacity Neutrality Arrangements

Exclude “Time Shift Entry Overrun Charges” on an ex-post basis(being System Entry Overrun Charges arising solely from Time Shift Quantities) from the calculation of Relevant Capacity Revenues in Section B2.13.2.

Add new Sections from 2.13.8 onwards setting up a new “Time Shift Capacity Neutrality Arrangements” scheme. This scheme should follow the existing Capacity Neutrality Arrangements but Revise Section B to include:

- only be in respect of Time Shift Entry Overrun Charges less any applicable National Grid NTS costs (“Relevant Time Shift Capacity Revenues) the calculation of Time Shift Entry Overrun Quantities for each User at each GMT System Entry Point
- be in respect of GMT System Entry Points only
- shall return the Relevant Time Shift Capacity Revenues arising at a GMT System Entry Point to Users at such GMT System Entry Point pro rata to the amount of Time Shift Entry Overrun Charges paid by them in the relevant period application of the Time Shift Entry Overrun Quantities in the calculation of adjustments to Capacity Neutrality Charges at the earliest possible date after the month in which the Overrun occurred.

TPD Section I – Balancing Neutrality Charges

Exclude “Time Shift Daily Imbalance Charges” payable to National Grid NTS (being Daily Imbalance Charges arising solely from Time Shift Quantities), “Time Shift Scheduling Charges” (being Scheduling Charges arising solely from Time Shift Quantities) and “Time Shift Incentivised Nomination Charges” (being Incentivised Nomination Charges arising solely from Time Shift Quantities) from the calculation of Aggregate System Receipts in Section 4.4.2 and the calculation of the Monthly Adjustment Neutrality Amount in Section 4.5.3.

Exclude “Time Shift Daily Imbalance Charges” payable by National Grid NTS (being Daily Imbalance Charges arising solely from Time Shift Quantities) from the calculation of Aggregate System Payments in Section 4.4.3 and the calculation of the Monthly Adjustment Neutrality Amount Amount in Section 4.5.3.

Add new Sections from 4.7 onwards setting up a new “Time Shift Balancing Neutrality Arrangements” scheme. This scheme should follow the existing Balancing Neutrality Arrangements but

Further revisions to include::

- the calculation of Time Shift Quantities for each User across all GMT System Entry Points

- application of the Time Shift Quantities in the calculation of adjustments to Balancing Neutrality Charges to incorporate credits for Time Shift Balancing, Time Shift Scheduling and Time Shift INS charges at the earliest possible date after the month in which the Overrun occurred.

-

~~only be in respect of Time Shift Entry Daily Imbalance Charges (positive and negative), Time Shift Scheduling Charges and Time Shift Incentivised Nomination Charges less any applicable National Grid costs and adjusted by any interest due for late payments (“Time Shift Balancing Neutrality Charge”)~~

~~be in respect of GMT System Entry Points only~~

~~shall return the Time Shift Balancing Neutrality Charge arising at a GMT System Entry Point to Users at such GMT System Entry Point pro-rata to the amount of such charges paid by them in the relevant period.~~

TPD Section C – Nominations and Renominations

~~Amend Section 1.1.5 to say that Users will use reasonable endeavours based on the information available to them nominate and renominate accurately~~

Reconciliation

~~As~~ If this Modification is not in force ~~from~~ 01 October 2015, National Grid NTS ~~will~~ run a reconciliation process from the date of implementation of the Modification back to 01 October 2015 to reimburse Users for Relevant Time Shift Capacity ~~Overrun charges~~ Revenues and Time Shift Balancing Neutrality Charges due to the Users in the period from 01 October 2015. In order to effect this reconciliation, all Users will provide National Grid (logically via CVSL) with GMT Entry Allocation Statements for each day of the reconciliation period.

~~Note: National Grid NTS to use Reconciliation process to reallocate any such Relevant Time Shift Capacity Revenues and Time Shift Balancing Neutrality Charges that have been returned to all Users using the existing neutrality processes in the interim period.~~

Business Rules:

UNC Modification Proposal 0541B

Ex-post removal of uncontrollable UNC charges at ASEP’s which include sub-terminals operating on a 06.00 to 06.00 Gas Day

Business Rules

Balancing Neutrality Charge Adjustment (including Scheduling Charges)

1. Month + 15 Business Days – Entry Close-out Date for Users to provide their entry allocations to National Grid NTS for the preceding month M (UNC TPD E1.8.1).
2. Month + 19 Business Days – Balancing Neutrality Charges are calculated.
3. Month + 23 Business Days – Energy Balancing Invoice is issued to Users.

4. Each User at the relevant sub-terminals will provide a **'pseudo' Entry Allocation Statement** (i.e. for a 06:00 to 06:00 period) to National Grid NTS at that System Entry Point (this supplements, and is additional to, the User's obligation to provide the **Entry Allocation Statement** (i.e. for a 05:00 to 05:00 Gas Day) at that System Entry point as per UNC TPD E2.1.2). Data requirements for the 'pseudo' Entry Allocation Statements will mirror those in place for the Entry Allocation Statement. The deadline for submission of 'pseudo' Entry Allocation Statements' is the Entry Close-out Date (i.e. M+15). In validating such 'pseudo' Entry Allocation Statements:

a. the sum of such 'pseudo' Entry Allocation Statements (and any Unclaimed Entry Allocation Statements^[1]) must be equal to a **'pseudo' Entry Point Daily Quantity Delivered** (i.e. for a 06:00 to 06:00 period) akin to UNC TPD E2.1.7(b). National Grid NTS has access to hourly metering at the relevant System Entry Points and will derive^[2] the 'pseudo' Entry Point Daily Quantity Delivered from this information; and

b. if the sum of the aforementioned values are not equal to the 'pseudo' Entry Point Daily Quantity Delivered, then the **'pseudo' Entry Allocation Volume** (i.e. for a 06:00 to 06:00 period) for each relevant User at the System Entry Point will be adjusted by National Grid NTS in proportion to the Nominated Quantities under their respective Input Nominations for that System Entry Point akin to UNC TPD E2.1.8.^[3]

5. Month + 1 + [17] Business Days – the User's 'pseudo' Entry Allocation^[4] Volume at the relevant System Entry Point is compared to the User's **Entry Allocation Volume** (i.e. for a 05:00 to 05:00 period) at the relevant System Entry Point to calculate (as per the following paragraph) the value of the Neutrality Charge Adjustment Volume for the relevant invoice issued at Month + 23 Business Days

6. The User's Imbalance Charge Adjustment Volume for each day is calculated as follows:

System Entry Point Time Shift Volume = Entry Allocation Volume – 'pseudo' Entry Allocation Volume

Standard Imbalance Volume = UDQI (i.e. 05:00 to 05:00) – UDQO (i.e. 05:00 to 05:00)

Imbalance Charge Adjustment Volume = Standard Imbalance Volume – (the sum of System Entry Point Time Shift Volumes for the relevant System Entry Points)

7. The Imbalance Charge Adjustment Volume for month M, is reflected in the Balancing Neutrality Charges included in the Month + [1] + 23 Business Days invoice for all Users subject to Balancing Neutrality.

8. Scheduling Charges are subject to the same Invoice timetable as Balancing Neutrality, the calculation for the Scheduling Charge Adjustment Volume for each User at a System Entry Point on a Gas Day is as follows:

Time Shift Scheduling Volume = Gas Flow nominations (entry) at the relevant System Entry Point – (System Entry Point Time Shift Volume + Entry Allocation Volume)

Standard Scheduling Charge Volume = Gas Flow nominations (entry) at the relevant System Entry Point – Entry Allocation Volume

Scheduling Charge Adjustment Volume = Standard Scheduling Charge Volume – Time Shift Scheduling Volume

9. The Scheduling Charge Adjustment Volume for month M, is reflected in the Balancing Neutrality Charges included in the Month + [1] + 23 Business Days invoice for all Users subject to Balancing Neutrality.

Capacity Neutrality Overrun Charge Adjustment

10. Month + 4 Business Days – NTS Entry Capacity and NTS Capacity Neutrality Invoices are issued.
11. M+1 + 4 Business Days – NTS Entry Capacity Invoices issued to include any Overrun charges from month M.
12. Month + 1 + [17] Business Days – the User's 'pseudo' Entry Allocation at any relevant System Entry Point (within an Aggregate System Entry Point (ASEP)) is compared to the User's Entry Allocation. Overrun exposure is determined in accordance with the following calculation to determine the value of the Time Shift Adjusted Overrun Volume to adjust the relevant NTS Entry Capacity Invoice via a Capacity Neutrality Charge Invoice.
13. NTS Entry Capacity Overrun Charge Adjustment Volume at an ASEP for a Gas Day is calculated as follows:

Time Shift Overrun Volume = User Capacity Entitlement at the ASEP – ((sum of the User's Entry Allocations at all System Entry Points within the ASEP) + (sum of any System Entry Point Time Shift Volumes at System Entry Points within the ASEP^[5]))

Standard Overrun Volume = User Capacity Entitlement at the ASEP – (sum of Entry Allocations for all System Entry Points at the ASEP)

Overrun Charge Adjustment Volume = Standard Overrun Volume – Time Shift Overrun Volume

14. The Overrun Charge Adjustment Volume for month M, is reflected in the Capacity Neutrality Charges included in the Month +[2] + 4 Business Days invoice for all Users subject to Capacity Neutrality.

Incentivised Nomination Charge Adjustment

15. Month + 19 Business Days – Balancing Neutrality Charges are calculated.
16. Month + 23 Business Days – Energy Balancing Invoice is issued to Users.
17. The User's 'pseudo' Entry Allocations at any relevant System Entry Point is compared to the User's equivalent Entry Allocations. Incentivised Nomination Charge exposure is determined in accordance with the following calculation to determine the value of the INS Charge Adjustment Volume for the relevant invoice issued at Month + 23 Business Days
18. INS Charge Adjustment Volume is calculated as follows:

Time Shift INS Performance Measure = absolute (Forecast Daily Imbalance – (Daily Imbalance + (sum of any System Entry Point Time Shift Volumes))

Standard INS Performance Measure = absolute (Forecast Daily Imbalance – Daily Imbalance) [as per UNC TPD 5.3.8(a)]

INS Charge Adjustment Volume = Standard INS Performance Measure – Time Shift INS Performance Measure

19. The INS Charge Adjustment Volume for month M, is reflected in the Balancing Neutrality Charges included in the Month + [1] + 23 Business Days invoice for all Users subject to Balancing Neutrality.

Capacity Neutrality and Balancing Neutrality

20. As per existing processes, Capacity Neutrality and Balancing Neutrality charge adjustments will be socialised via the Neutrality mechanisms to all Users, including those at 06:00 to 06:00 sub-terminals (System Entry Points):

a. for Balancing Neutrality, on the basis of User throughput (sum of UDQI and UDQO – both based upon 05:00 to 05:00 Entry and Exit Allocations respectively); and

b. for Capacity Neutrality, on the basis of 'end of day' firm capacity entitlements.

Retrospective Adjustment

21. Following the date of implementation of the Modification (i.e. Transporter system changes implemented), Users at 06:00 to 06:00 sub-terminals will provide their daily 'pseudo' Entry Allocation Statements for the retrospective period (back to and including 1st October 2015^[6]) to National Grid NTS within [30] days. The validation specified in rule 4a and 4b will be applied to such values.

22. In order for the adjustments to be processed, all Users at the relevant sub-terminals must submit 'pseudo' Entry Allocation Statements for the retrospective period.

23. Capacity Neutrality and Balancing Neutrality adjustments (as described in business rules 1 to 20) in respect of the retrospective period will be reflected in revised Balancing Neutrality and Capacity Neutrality charges within [3] months of expiry of the notice period in rule 21.

Annex A

Incentivised Nomination Charges Information

If a User submits a Forecast Daily Imbalance Nomination (i.e. its expected end of day imbalance position) between D-30 and 03:00 on D (UNC TPD E5.3.5), where this differs from the User's Daily Imbalance the User will incur an Incentivised Nomination Charge for the volume difference at a unit rate based upon the System Marginal Price / System Average Price differential. This price differential is subject to a scaling factor which is currently set to zero hence the Incentivised Nomination Charge is currently £zero for all Users.

Where the User does not submit a Forecast Daily Imbalance Nomination, the User will be deemed to have submitted a Forecast Daily Imbalance Nomination equal to the Prevailing Provisional Daily Imbalance which is a value determined by National Grid NTS on the basis of User Nominations. UNC TPD E5.3.7 / 5.3.2(e).

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A

4 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.	Positive

The proposal ensures that those UNC charges which are levied on Users as a result of mismatches arising from the differences between the 0500 hours to 0600 hours aggregate quantity on one Day and the 0500 hours to 0600 hours quantity on the next Day are dis-applied, on an ex-post basis. Users have no control over the “Time Shift Mismatches” and are unable to take any mitigating actions to address them. The imposition of UNC charges which result from Time Shift Mismatches means that affected Users face unwarranted costs which are redistributed to Users via neutrality charges, for example. In combination, these outcomes create inefficiencies in terms of cost allocation and undermine competition.

The Regulation stipulates a number of basic principles which should be adhered to in relation to the implementation of a daily balancing regime. These principles include:

- **Non-discriminatory** rules for access conditions to natural gas transmission systems.
- Balancing Rules to reflect **genuine system needs** taking into account the resources available to the transmission system operator.
- Imbalance charges shall be **cost-reflective** whilst providing **appropriate financial incentives on network users to balance their input and off-take of gas**.
- Imbalance charges to **avoid cross-subsidisation** between network users and shall not hamper the entry of new market entrants.
- **Shippers to have primary responsibility to balance their balancing portfolios** in order to minimise the need for transmission system operators to undertake balancing actions.

The levying of UNC charges on “Time Shift Mismatches” would be inconsistent with these principles and therefore would not be compliant with the Regulation. This proposal will ensure that the balancing rules in the UNC and more specifically those charges which are applied to Users at GMT Terminals are compliant with the Regulation.

5 Implementation

There are likely to be ~~some~~limited costs associated with the central systems fix to implement the modification. The costs will arise from the need to obtain the “GMT UDQI” data and the subsequent adjustments to Capacity and Balancing Neutrality charges.

No implementation timescales are proposed, however the UNC Gas Day ~~will~~ be changed to 0500 hours to 0500 hours on 01 October 2015, implementation of this modification should be as soon as possible after this date, on this date, or as soon as possible thereafter. If implementation is post 01 October then a reconciliation-Reconciliation of the relevant charges will be applied as set out in the business rules in section 3 above to ensure Users are relieved of any Time Shift Charges incurred during the period between 01 October and the implementation date.-

6 Impacts

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

This proposal is likely to impact Systems Changes for EU Reform due to the need to acquire “GMT UDQI” data and the subsequent adjustments to Capacity and Balancing Neutrality charges.

Postre EU Systems Change Phase 3 Implementation

~~Ideally, the modification will be implemented prior to the Systems Change, however, if this is not feasible as soon as possible thereafter. If implementation occurs after this time then reconciliation arrangements~~

will be introduced to account for the relevant UNC charges incurred from 01 October 2015. Phase 3 of the EU Systems Change is in progress and it is not feasible for the systems changes required to implement this modification to be added to the programme. Implementation should occur as soon as possible after the implementation of Phase 3.

The benefits of making the change relate to the inefficiencies and detrimental impacts on competition of the Time Shift Mismatches which will occur at GMT Terminals.

7 Legal Text

Transporters are requested to provide legal text

8 Recommendation

The Proposer invites the Panel to:

- Determine that this modification should not be subject to self-governance;
- Progress to Workgroup assessment; and
- To consider requesting Legal text so that the workgroup can complete its assessment to meet the challenging timescales