

UNC Request	At what stage is this document in the process?
<h1>UNC 0670R:</h1> <h2>Review of the charging methodology to avoid the inefficient bypass of the NTS</h2>	<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="border: 1px solid #800040; background-color: #800040; color: white; padding: 2px; margin-bottom: 5px;">01 Request</div> <div style="border: 1px solid #0070C0; background-color: #0070C0; color: white; padding: 2px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 1px solid #FFA500; background-color: #FFA500; color: white; padding: 2px;">03 Final Workgroup Report</div> </div>
<p>Purpose of Request:</p> <p>To conduct a review and assessment of the charging methodology that is a feature of the overall Gas Transportation Charging framework to avoid the inefficient bypass of the NTS (currently the NTS Optional Commodity charge). This review would assess the objectives, identify requirements, analyse potential options and propose an enduring proportionate solution.</p>	
	<p>The Proposer recommends that this request should be assessed by a Workgroup. This request will be presented by the Proposer to the Panel by on 16-18 October 2018 <u>January 2020</u>.</p>
	<p>High Impact: All parties that pay NTS Transportation Charges and / or have a connection to the NTS, and National Grid NTS</p>
	<p>Medium Impact: N/A</p>
	<p>Low Impact: N/A</p>

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Contents		 Any questions?
1 Request	3	Contact: Joint Office of Gas Transporters
2 Impacts and Costs	65	 enquiries@gasgovernance.co.uk
3 Terms of Reference	98	 0121 288 2107
4 Recommendation	119	Proposer: James Gudge<u>Daniel Hisgett</u>
About this document		 james.gudge@nationalgrid.com daniel.hisgett@nationalgrid.com
This document is a Request, which will be presented by the Proposer to the Panel on by 18-16 January 2020 October 2018 .		 07971 50085501926-653634 or 07583-060099
The Panel will consider the Proposer's recommendation, and agree whether this Request should be referred to a Workgroup for review.		Transporter: Colin Williams
The Proposer recommends the following timetable:		 colin.williams@nationalgrid.com
• Initial consideration by Workgroup in November 2018.		 01926 655916 or 07785451 776
• Workgroup Report to be presented to Panel on or before 16 January 2020 to May 2019 Panel .		Systems Provider: Xoserve
		 commercial.enquiries@xoserve.com
		 telephone

1 Request

Why is the Request being made?

The NTS Optional Commodity Charge product was introduced in 1998 to avoid inefficient bypass of the National Transmission System (NTS) by large sites located near to entry terminals. The charge is an alternative to investment, so the formula to calculate individual rates is derived from an estimated cost of laying and operating a dedicated pipeline of NTS specification. Shippers can currently elect to pay the NTS Optional Commodity Charge as an alternative to the NTS System Operator (SO) and Transmission Operator (TO), Entry and Exit Commodity Charges.

Due to changing behaviours, the NTS Optional Commodity Charge (also referred to as "Short-haul"), has seen a significant increase in its use which has impacted on other charges in a way that was not originally envisaged. As a result, it could be applied in situations that are considered inconsistent with its original purpose.

Taking on learning from recent Modifications ([such as 0621, 0636, 0653](#))~~0636, 0653 and 0624~~, National Grid, as Proposer of Request Modification 0670R, recognises the benefit of considering this aspect of charging as part of a separate review. More importantly it should be considered as an integral part of an overall methodology and not in isolation, prior to a solution being proposed. It is considered that returning to the principles of the product will help to facilitate an industry consensus before a solution is raised, thereby helping to reduce the risk of multiple alternatives, saving time and helping to progress with the implementation of a Modification, if required.

The purpose of this Request therefore, is to conduct a review and assessment of the charging methodology that is a feature of the overall Gas Transportation Charging framework to avoid inefficient bypass of the NTS. This review [Workgroup, and subsequent Workgroup report](#), would consider:

- [The rationale and appetite for having such a charging arrangement as a feature of the overall charging methodology;](#)
 - [The interaction with the likely baseline methodology it would change;](#)
 - [Options presented from Workgroup participants including relevant analysis;](#)
 - [The range of views on any options presented including the overall effectiveness against the rationale, including compliance with relevant EU Network Codes.](#)
 - [Any updates that may be relevant from ongoing UNC Changes \(e.g. 0678 and alternatives, 0686\)](#)
-
- ~~The objectives;~~
 - ~~Identify requirements and scope;~~
 - ~~Identify principles on which to base any solution;~~
 - ~~Analyse potential options (including ideas already explored e.g. elements proposed under 0636/A/B/C/D and 0653); and~~
 - ~~Propose an enduring proportionate solution within the charging framework.~~

This review is considered necessary and should be performed, regardless of the outcomes of other related UNC Modifications, due to the time required for the review and potential implementation timescales. ~~Modification 0621—Amendments to the Gas Transmission Charging Regime and its alternatives are in progress and in most proposed solutions, a charge is retained that discourages inefficient bypass of the NTS. This retained charge has been developed under the supported notion that this is a topic that should be reviewed separately to give it appropriate time for examination, with most alternative proposals having no optional charge after the transitional period (as of October 2021) and most industry parties supporting a separate review to put in place a suitable charging structure for this from 2021. There is an expectation that arrangements from 2021 should be reviewed as part of a dedicated review group.~~

This proposal is to review the method by which the avoidance of inefficient bypass is managed, as part of the NTS Transportation Charging Framework. This review allows time and focus to consider whether and how the charging proposals for discouraging inefficient bypass should be catered for within any Gas Transportation Charges, including the objectives of any such arrangement that it should be measured against. It is hoped that participants will begin the review looking at the principles first, rather than trying to refashion any existing potential solution options. The assessment of these objectives and principles will determine the full scope of the review.

0678 and alternatives were discussed between January 2019 and May 2019 and currently rest with Ofgem for decision. Some of the 0678 alternatives provide a means to manage inefficient bypass via the charging methodology proposed. Other 0678 proposals do not include an arrangement for this and anticipate a new methodology to be presented separately

Scope

The purpose of this Request is to create a Workgroup to conduct a review and assessment of the charging methodology that is used to avoid the inefficient bypass of the NTS as a feature of the overall charging framework. ~~The group will have the opportunity to discuss options as they are presented. It is recognised that there will unlikely be a consensus on the output of the workgroup for a single option. Therefore, the workgroup and subsequent report may provide views on a range of ideas that may be taken forward in the future.~~

This review would assess the objectives of the charging arrangements that discourage inefficient bypass of the NTS and identify the most effective way to incorporate these into the Transportation Charging framework. In addition to reviewing the objectives of any such arrangement, the process is suggested to identify requirements, then analyse and propose potential enduring solutions within the charging framework. This can be carried out independent from, and with an awareness of, UNC Modifications that are currently awaiting decisions, to provide enough time for implementation. The level of detail of any considered options will be part of the workgroup discussions, ~~to ensure this is appropriate, given that 0621 may not be decided upon until 2019.~~

The workgroup has the opportunity to reflect on the discussions to date and provide a means to discuss ideas presented in how to make further progress

Joint Office of Gas Transporters

~~UNC0621 and its alternatives are currently subject to Ofgem decision. This review can determine ways in which it is most efficient to manage the incentive, through the overall charging arrangements, to avoid bypass and use the NTS. The target of this review and likely Modification (post awareness of UNC0621 decision) would be for implementation for October 2021 charges.~~

The Workgroup will address consequential changes to UNC derived from the review, including any potential minded to positions that may come from Ofgem's impact assessment(s), and evaluate the impacts from the proposed solution(s). Compliance with EU Tariff Code (Regulation 2017/460) will be a feature of the discussions. The timelines for any potential change will be part of the discussions.

The Workgroup will have the opportunity to discuss the impacts of any updates, assessments or outputs that can inform how or if development of this review proposal is taken further and if so, the direction it may take.

Impacts & Costs

Costs associated with the Request Proposal are currently unknown.

Impact and cost depend on the nature of the proposed solution, if any.

Recommendations

The Request aims to create a Workgroup to conduct a review and assessment of the charging methodology that is used to avoid the inefficient bypass of the NTS (currently the NTS Optional Commodity charge) as part of the overall Gas Transportation Charging framework. This review would assess the objectives, identify requirements, identify principles on which to base any solution; analyse potential options and propose an enduring proportionate solution.

The Proposer considers the proposal should be issued to a Workgroup in order to conduct a holistic review, prior to determining any solution and identify an enduring solution to be taken forward as a future Modification.

Additional Information

Links to relevant charging Modifications that have been discussed recently:

0621/A/B/C/D/E/F/G/H/J/K/L - Amendments to Gas Transmission Charging Regime
<https://www.gasgovernance.co.uk/0621/>

0636/A/B/C/D - Updating the parameters for the NTS Optional Commodity Charge
<https://www.gasgovernance.co.uk/0636/>

0653 - Updating the parameters for the NTS Optional Commodity Charge – Introducing the NTS
Optional Capacity Charge
<https://www.gasgovernance.co.uk/0653/>

[0678 – Amendments to Gas Transmission Charging Regime](https://www.gasgovernance.co.uk/0678)

<https://www.gasgovernance.co.uk/0678>

[0686 - Removal of the NTS Optional Commodity Rate with adequate notice](https://www.gasgovernance.co.uk/0686)

<https://www.gasgovernance.co.uk/0686>

2 Impacts and Costs

Consideration of Wider Industry Impacts

There is the potential for wider industry impacts; the areas affected and scale are dependent on the solution identified as part of this Request and may also be influenced by other code modifications and developments. The extent of any potential impact will be considered alongside the development in the review.

Impacts

Impact on Central Systems and Process	
Central System/Process	Potential impact
UK Link	<ul style="list-style-type: none">• Not yet known
Operational Processes	<ul style="list-style-type: none">• Not yet known

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none">• Not yet known
Development, capital and operating costs	<ul style="list-style-type: none">• Not yet known
Contractual risks	<ul style="list-style-type: none">• Not yet known
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">• Not yet known

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none">• Not yet known
Development, capital and operating costs	<ul style="list-style-type: none">• Not yet known
Recovery of costs	<ul style="list-style-type: none">• Not yet known
Price regulation	<ul style="list-style-type: none">• Not yet known
Contractual risks	<ul style="list-style-type: none">• Not yet known
Legislative, regulatory and contractual	<ul style="list-style-type: none">• Not yet known

Impact on Transporters	
obligations and relationships	
Standards of service	<ul style="list-style-type: none"> Not yet known

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> Impact is unlikely
UNC Committees	<ul style="list-style-type: none"> Impact is unlikely
General administration	<ul style="list-style-type: none"> This request is likely to be a significant piece of work for the Joint Office to support and manage
DSC Committees	<ul style="list-style-type: none"> Not yet known

Impact on Code	
Code section	Impacted
UNC TBD Section Y and UNC TBD Section B.	<ul style="list-style-type: none"> Impacted

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none"> Not yet known
General	Potential Impact
Legal Text Guidance Document	<ul style="list-style-type: none"> Impact is unlikely
UNC Modification Proposals – Guidance for Proposers	<ul style="list-style-type: none"> Impact is unlikely
Self Governance Guidance	<ul style="list-style-type: none"> Impact is unlikely
TPD	Potential Impact
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> Not yet known
UNC Data Dictionary	<ul style="list-style-type: none"> Not yet known
AQ Validation Rules (TPD V12)	<ul style="list-style-type: none"> Not yet known
AUGE Framework Document	<ul style="list-style-type: none"> Not yet known
Customer Settlement Error Claims Process	<ul style="list-style-type: none"> Not yet known
Demand Estimation Methodology	<ul style="list-style-type: none"> Not yet known
Energy Balancing Credit Rules (TPD X2.1)	<ul style="list-style-type: none"> Not yet known

Impact on UNC Related Documents and Other Referenced Documents	
Energy Settlement Performance Assurance Regime	<ul style="list-style-type: none"> • Not yet known
Guidelines to optimise the use of AQ amendment system capacity	<ul style="list-style-type: none"> • Not yet known
Guidelines for Sub-Deduct Arrangements (Prime and Sub-deduct Meter Points)	<ul style="list-style-type: none"> • Not yet known
LDZ Shrinkage Adjustment Methodology	<ul style="list-style-type: none"> • No impact
Performance Assurance Report Register	<ul style="list-style-type: none"> • No impact
Shares Supply Meter Points Guide and Procedures	<ul style="list-style-type: none"> • No impact
Shipper Communications in Incidents of CO Poisoning, Gas Fire/Explosions and Local Gas Supply Emergency	<ul style="list-style-type: none"> • No impact
Standards of Service Query Management Operational Guidelines	<ul style="list-style-type: none"> • No impact
Network Code Validation Rules	<ul style="list-style-type: none"> • No impact
	<ul style="list-style-type: none"> •
OAD	Potential Impact
Measurement Error Notification Guidelines (TPD V12)	<ul style="list-style-type: none"> • No impact
	<ul style="list-style-type: none"> •
EID	Potential Impact
Moffat Designated Arrangements	<ul style="list-style-type: none"> • Not yet known
IGTAD	Potential Impact
	<ul style="list-style-type: none"> • Not yet known
DSC / CDSP	Potential Impact
Change Management Procedures	<ul style="list-style-type: none"> • Not yet known
Contract Management Procedures	<ul style="list-style-type: none"> • Not yet known
Credit Policy	<ul style="list-style-type: none"> • Not yet known
Credit Rules	<ul style="list-style-type: none"> • Not yet known
UK Link Manual	<ul style="list-style-type: none"> • Not yet known
	<ul style="list-style-type: none"> •

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	<ul style="list-style-type: none">Impact is unlikely
Gas Transporter Licence	<ul style="list-style-type: none">Impact is unlikely

Other Impacts	
Item impacted	Potential impact
Security of Supply	<ul style="list-style-type: none">Not yet known
Operation of the Total System	<ul style="list-style-type: none">Not yet known
Industry fragmentation	<ul style="list-style-type: none">Not yet known
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none">Not yet known

3 Terms of Reference

Background

To conduct a review and assessment of the charging methodology that is a feature of the overall Gas Transportation Charging framework to avoid the inefficient bypass of the NTS (currently the NTS Optional Commodity Charge). This review would assess the objectives, identify requirements, identify principles on which to base any solution, analyse potential options and propose an enduring proportionate solution.

Topics for Discussion

- The rationale and appetite for having such a charging arrangement as a feature of the overall charging methodology;
- The interaction with the likely baseline methodology it would change;
- Options presented from Workgroup participants including relevant analysis;
- The range of views on any options presented including the overall effectiveness against the rationale, including compliance with relevant EU Network Codes.
- Any updates that may be relevant from ongoing UNC Changes (e.g. 0678 and alternatives, 0686)
- ~~Understanding the objectives~~
- ~~Understand/develop the principles on which to base any solution~~
- ~~Assessment of alternative means to achieve objective~~
- ~~Development of Solution (including business rules if appropriate)~~
- ~~Assessment of potential impacts of the Request~~
- ~~Assessment of implementation costs of any solution identified during the Request~~
- ~~Assessment of legal text~~

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Outputs

Produce a Workgroup Report for submission to the Modification Panel, containing the assessment and recommendations of the Workgroup including a draft modification where appropriate.

Composition of Workgroup

The Workgroup is open to any party that wishes to ~~attend or~~ participate in the discussions.

A Workgroup meeting will be quorate with at least six (6) participants attending, of which at least two (2) shall be Shipper Users and one (1) NTS Transporter; ~~aim to be quorate (i.e. be quorate provided at at least two Transporter and two User representatives are present) however recognises this may not always be achievable and should not be a mandatory requirement.~~

Meeting Arrangements

Meetings will be administered by the Joint Office and conducted in accordance with the Code Administration Code of Practice.

4 Recommendation

The Proposer invites the Panel to:

- DETERMINE that Request 0670R progress to Workgroup for review for a period of 6 months.