










UNC Modification		At what stage is this document in the process?
<h1>UNC 0701:</h1> <h2>Aligning Capacity booking under the UNC and arrangements set out in relevant NExAs</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #28a745; color: white; padding: 2px; display: flex; justify-content: space-between; align-items: center;">01 Modification</div> <div style="border: 1px solid #17a2b8; background-color: #e6f2ff; padding: 2px; display: flex; justify-content: space-between; align-items: center;">02 Workgroup Report</div> <div style="border: 1px solid #d4edda; background-color: #fff3cd; padding: 2px; display: flex; justify-content: space-between; align-items: center;">03 Draft Modification Report</div> <div style="border: 1px solid #ffc107; background-color: #fff3cd; padding: 2px; display: flex; justify-content: space-between; align-items: center;">04 Final Modification Report</div> </div>
<p>Purpose of Modification: To improve visibility where a consumer has entered into a bi-lateral Network Exit Agreement (NExA) with the relevant Transporter, and to link capacity increased with the NExA so that the allowed capacity does not exceed the capacity as agreed in the NExA</p>		
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> considered a material change and not subject to self-governance assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 15th August 2019. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>	
	<p>High Impact: Transporters, Shippers and Consumers</p>	
	<p>Medium Impact:</p>	
	<p>Low Impact:</p>	

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Timetable		 0121 288 2107
The Proposer recommends the following timetable:		Proposer: Northern Gas Networks
Initial consideration by Workgroup	22 August 2019	 07580 215743
Workgroup Report presented to Panel	19 December 2019	
Draft Modification Report issued for consultation	20 December 2019	Transporter: Northern Gas Networks
Consultation Close-out for representations	25 January 2020 (20 days to allow for holidays)	
Final Modification Report available for Panel	20 February 2020	 07580 215743
Modification Panel decision	27 February 2020	
		Systems Provider: Xoserve
		 UKLink@xoserve.com

1 Summary

What

There is no process to ensure that the daily capacity allowed in a NExA (which is a contract between the site operator and the Transporter) and that allowed by the UNC (which is contract between the Relevant Shipper and the relevant Transporter) are aligned. This can result in discrepancies where Permitted Maximum Supply Point Capacity can ratchet above the Shipper books more capacity on the System than value the consumer is allowed to use. Conversely the capacity ratchet process may allow Shippers to ratchet up capacity to greater than that allowed by the under a NExA.

This proposed modification differs from 0696 in three ways

For information, key differences between this proposal and proposal 0696 (Addressing inequities between Capacity booking under the UNC and arrangements set out in relevant NExAs) are:

- 1) It is not contains no retrospective element.
- 2) It includes all Supply Points on DN networks and all classes
- 2) Visibility of the existence of a NExA will be introduced into industry central systems
- 3) Where a NExA exists and states maximum daily capacity, the System Supply Point Capacity is to be capped in line with this, with the effect that PMSOQ is not increased above the NExA value.
- 4) It includes all Supply Points on DN networks with solutions for both Daily Metered (Class 1 and 2) supply points, and non daily metered (Class 3 and 4) supply points

Why

This change will ensure that System capacity is consistent with that allowed by the NExA where one is in place. Where a NExA is not in place then the current processes will apply.

How

It is proposed that any new that capacity deemed or additional capacity requested under the UNC should only take effect from the date set out in the NExA and capacity cannot ratchet above exceed that allowed by the NExA, without a referral to Network.

This process would apply, post faster switching, to both CSS and non-CSS DN connected Supply Points.

2 Governance

Justification for Authority Direction

As the proposal has a material impact on the Transportation arrangements for Shippers and relevant consumers, it should, we believe, be subject to **Authority Direction**.

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?

Issue

There is no process to ensure that the ~~daily capacity~~ Supply Point Capacity (Often referred to as "SOQ") and Supply Point Offtake Rate (often referred to as "SHQ") allowed in a NEXA (which is a contract between the site operator and the Transporter) and that allowed by the UNC (which is contract between the Relevant Shipper and the relevant Transporter) are aligned. This can result in discrepancies where the Shipper books more capacity on the System than the customer is allowed to use. ~~in accordance with the NEXA~~. Conversely, the ~~capacity ratchet~~ Supply Point Ratchet process may allow Shippers to ratchet up ~~capacity~~ Supply Point Capacity to greater than that allowed by the NEXA.

The potential existence of NEXAs is well known in the industry ~~and Shippers should ask customers whether one is in place as part of any discussions with them about capacity. Equally transporters could reasonably be expected to check requests for increases in capacity against NEXAs. The~~ however the existence of NEXAs are not flagged in central systems so ~~they may be missed~~ the specific existence of one is not instantly visible when using central systems interfaces (eg Data Enquiry System). Where previously NEXAs were predominantly used for very large sites or sites mandated in UNC they are now increasingly used for ~~small~~ smaller but intermittent or unpredictable within-day consumption sites, for example power generation plants, some of which may be Class 3 or 4 Supply Points. This lack of transparency ~~is an undesirable state of affairs~~ throughout the life of the NEXA is what we are wanting to address.

~~The Supply Point Ratchet process equally does not take any account of NEXAs and currently a Supply Point can use the ratchet process to increase its System Capacity to above that stated in a NEXA.~~

4 Code Specific Matters

Reference Documents

A sample of a Northern Gas Networks Site Specific NEXA is attached. This is provided with the caveat that there are multiple types of NEXAs and these, and the content, can differ between DNs, and is therefore attached for general information purposes only.

Knowledge/Skills

5 Solution

Solution

It is proposed that any new or additional daily capacity or hourly flow for Supply Meter Points (excluding NTS Supply Points) requested under the UNC should only take effect from the date set out in the NEXA. Where a site ratchets then the System capacity/DM Supply Point Capacity cannot ratchet above that listed in a NEXA should one exist.

Business Rule 1

For Class 1 and 2 Supply Points: Any requests for new or additional System capacity made by the Shipper shall not, where a relevant NEXA exists, exceed the daily offtake rate and SHQ set out in the NEXA. DM Supply Point Capacity (SOQ) and Supply Point Offtake Rate ("SHQ") set out in the NEXA. Where there is only an SHQ value in the NEXA the SOQ value will be taken as a calculation of [24] times the SHQ value quoted in the NEXA.

Business Rule 2

~~For Class 3 and 4 Supply Points: Any AQ changes shall be capped to ensure that the chargeable capacity does not exceed the daily offtake rate set out in the NEXA.~~

Business Rule 3

~~For a Class 1 and 2 Supply Points the System Capacity shall not ratchet above the daily offtake rate set out in the NEXA.~~

~~Where there is no agreed SOQ value in the NEXA, the value would be calculated as [24] times the SHQ value in the NEXA~~

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6 Impacts & Other Considerations

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

None

Consumer Impacts

Impacts consumers who are party to NEXA arrangements and wish to amend their capacity requirements.

Cross Code Impacts

There should be no known impacts on other Codes.

EU Code Impacts

None

Central Systems Impacts

There may be Central System impacts to put in place the processes for Class 3 and Class 4. There are options around how it is implemented for Class 1 and 2, this could range from no change, to having a flag in UK Link indicating that a NExA exists to have a system check on capacity referrals to check the NExA values against the capacity requested and against any ratchet capacity calculations.

For all site Classes, CDSP would need to enhance the existing DES information to:

- Populate the NExA flag in DES with 'Y' or 'N' to advise whether a NExA is in effect for the meter point
- Create a field for the NExA SOQ and SHQ values, and be able to populate this automatically with the SOQ and SHQ value stated in the NExA.
- The capacity would be capped as per below:
 - For Class 1 & 2 sites: The Permitted Maximum Supply Point Capacity (Often referred to as PMSOQ) would not be able to exceed the Supply Point Capacity quoted in the NExA.
 - For Class 3 & 4 sites: A report would need to be generated to the Transporter to advise when the rolling AQ causes a SOQ value change that reaches a defined % of the SOQ value as stated in the NExA
- Where there is no agreed SOQ value in the NExA, the value would be calculated as [24] times the SHQ value in the NExA
- Be able to store historical start and end dates for NExA values.

There would also need to be a 1 off exercise to clear all existing NExA flags in the system and to load all details above for all existing NExA's as advised by the Transporters.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	
a) Efficient and economic operation of the pipe-line system.	Positive
b) Coordinated, efficient and economic operation of <ul style="list-style-type: none"> (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.	Positive
d) Securing of effective competition: <ul style="list-style-type: none"> (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

Ensuring that where a NEXA exists is linked to capacity increases will protect the integrity of the Transporters pipeline, aiding in preventing sites from overtaking capacity where this would cause an issue to the network and to other customers connected to the same part of the network. We feel this modification would further both relevant objective a) and c) in this respect. We are not specifically referring to 1 specific Licence obligation as the economical and efficiency of the pipeline, is a principle throughout the licence

We also believe this modification would positively impact relevant objective f, by giving visibility where a NEXA exists thereby enhancing the requirements relating to NEXAs under UNC ~~section~~Section J.

8 Implementation

If Central System changes are required, it seems unlikely that this change will be implemented before June 2020. The CDSP will need to consider the solution design before the implementation date can be determined

9 . Legal Text

To be provided by Transporters.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply
- Refer this proposal to a Workgroup for assessment.