





UNC Workgroup Report	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; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="border: 1px solid blue; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid purple; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid orange; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 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 increases with the NExA so that the allowed capacity does not exceed the capacity as agreed in the NExA</p>	
	<p>The Workgroup recommends that this modification should not be subject to self-governance</p> <p>The Panel will consider this Workgroup Report on 16 April 2020. The Panel will consider the recommendations and determine the appropriate next steps.</p> <p>CHECK DATES</p>
	<p>High Impact: Transporters, Shippers and Consumers</p>
	<p>Medium Impact:</p>
	<p>Low Impact:</p>

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Timetable	
Modification timetable:	
Initial consideration by Workgroup	22 August 2019
Workgroup Report presented to Panel	16 April 2020
Draft Modification Report issued for consultation	17 April 2020
Consultation Close-out for representations	07 May 2020
Final Modification Report available for Panel	12 May 2020
Modification Panel decision	21 May 2020
<u>REVISE DATES IF WGR AGREED</u>	

Any questions?

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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 Provisional Maximum Supply Point Capacity (PMSOQ) can ratchet above the value the consumer is allowed to use under a NExA.

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 contains no retrospective element.
- 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 Supply Point Capacity is to be capped in line with this, with the effect that PMSOQ is not increased above the NExA value. Where there is no maximum daily capacity, this will be calculated as 24 times the Supply Point Offtake Rate (SHQ)
- 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

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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 capacity deemed or requested under the UNC cannot exceed that allowed by the NExA, without a referral to the 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

CONFIRM GOVERNANCE AT WG

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3 Why Change?

Issue

There is no process to ensure that the 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 Supply Point Ratchet process may allow Shippers to ratchet up Supply Point Capacity to greater than that allowed by the NEXA.

The potential existence of NEXAs is well known in the industry however the existence of NEXAs are not flagged in central systems so the specific existence of one is not instantly visible when using central systems interfaces (e.g. Data Enquiry Service (DES)). Where previously NEXAs were predominantly used for very large sites or sites mandated in UNC they are now increasingly used for 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 throughout the life of the NEXA is what we are wanting to address.

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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

It is proposed that any new or change in requested daily capacity or hourly flow for Supply Meter Points, (excluding NTS Supply Points), requested under the UNC should not exceed the value stated in the NEXA, nor should the PMSOQ exceed the value stated in the NEXA. Where a site ratchets then the DM Supply Point Capacity cannot ratchet above that listed in a NEXA should one exist.

In line with existing code TPD G 5.5.3 any application for increase in Capacity that exceeds the PMSOQ will create a Supply Point Nomination referral to the relevant Transporter.

For Class 1 and 2 Supply Points: Any requests for new or change in requested System capacity made by the Shipper shall not, where a relevant NEXA exists, exceed either the DM Supply Point Capacity (SOQ) or the 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.

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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.

CAN WE CLARIFY THE IGT ASPECT?

EU Code Impacts

None

Central Systems Impacts

To support the implementation of this Proposal, a ROM Request has been provided by the CDSP which sets out the key requirements that require systemisation and the associated implementation costs & timeline.

The full ROM can be found here: [Change Reference Number: (4939)] CHECK ROM VERSION!!

For all site Classes, the CDSP would need to enhance the existing DES information and provide additional functionality to assist with the management and processing of capacity and offtake rate changes at NExA sites:

1. Enhance what is currently held in UK Link against NExA sites
 - a. NExA SOQ
 - b. NExA SHQ
 - c. NExA AQ
 - d. NExA Effective to and from date
 - e. NExA type
2. Enhance what is currently displayed in DES against the Network Exit Agreement Indicator. Adding a new value to DES which is the NExA SOQ. This data item would need be populated where the NExA flag in DES is Y and should be fed from the information we hold in UK Link against the NExA site:
3. 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
4. For a Class 1 and 2 Supply Points the System Capacity shall not ratchet above the daily offtake rate set out in the NExA.
5. For Class 3 and 4 Supply Points: Create a process by which the relevant Transporter(s) is notified of any SOQ changes as part of Rolling AQ which come within [10%] of the daily offtake rate set out in the NExA. A secondary process so that any SOQ changes as part of Rolling AQ which then exceed the daily offtake rate set out in the NExA will be referred to the relevant Transporter or the relevant Transporter will be notified of the breach.

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6. Conduct a data cleanse against the information held in UK Link and DES for NExA sites. This will involve cleansing what we hold currently and replacing this with the new information we are expected to hold for these sites.

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

Workgroup Impact Assessment

The Workgroup has met seven times to refine the proposed rules and text to give effect to 3 principal aspects of the interaction of NExAs and the prevailing business rules in the UNC. These factors can be summarised as follows:

1. to provide increased visibility of the existence of NExA Supply Points and the associated offtake parameters by populating the NExA flag in DES and ensuring the corresponding data fields are complete and accurate,
2. to establish the maximum capacity in the NExA as maximum bookable under the provisions of the UNC: and,
3. where a capacity increase is triggered under the provisions of the UNC, and the associated NExA has a future dated capacity increase included in a NExA, to ensure that any capacity increases are limited by date & quantity to the values set-out in the NExA.

There was a general consensus in the Workgroup that in these specific areas of the UNC would benefit from additional clarity, in terms of the primacy of NExA conditions over general conditions set out in the UNC, and improved information flows resulting from the DES changes would add clarity for Users and consumers alike.

Given there have been instances where Shippers have experienced issues in relation to the interaction of offtake arrangements, where a NExA has constrained offtake parameters, and the UNC has permitted these values to be exceeded, additional clarity and rigour in relation to the separate contractual arrangements was generally viewed as a positive measure.

In terms of discussion points, the principle point of debate related to establishing a Maximum Supply Point Capacity, (SOQ), for NExA Supply Points where only an offtake rate, (OR), is specified. The rule to establish the SOQ based on 24 x OR gave rise to some concern from some participants that the derivation was over simplified and not fully reflective of the Supply Point's offtake characteristics. The rule has been incorporated into the legal text.

In an early version of the proposal, Class 3 & Class 4 Supply Points [REFERENCED IN SOLUTION] were treated as special cases where the AQ would be capped at a value linked to the offtake rate set-out in the relevant NExA. After Workgroup discussion it was agreed that the link between AQ and offtake rate was too tenuous, and the associated business rule was withdrawn.

CHECK THE WORKGROUP AGREES

Rough Order of Magnitude (ROM) Assessment

The following cost statements have been extracted from ROM 4939

- Change Costs (implementation): An enduring solution will cost at least £53k, but probably not more than £87k to implement
- Costs for changes to DES would cost at least £22k, but probably not more than £36k to implement

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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 (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: (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 Objectives a) and c) in this respect. We are not specifically referring to one specific Licence obligation as the economical and efficient operation 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 TPD Section J5.2.

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8 Implementation

To deliver this proposal effectively, both UK-LINK, (to assist with the processing of requested changes to offtake parameters), and DES, (to assist with the visibility of information relating to NExA Supply Points,) would need to be modified.

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The timeline for implementing these changes and systemising the requirements specified in the ROM is approximately 25 weeks (6 months).

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Consequently, it is proposed that if an Authority Decision is received by [date], it is possible that this proposal could be implemented on [1 October 2020], which would tie into the period when capacity and offtake rates are most relevant to the operation of the network.

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It should also be noted that the data currently held on UK-Link in relation to NExA Supply Points would need to be ascertained and cleansed through a coordinated activity, initiated by transporters but conjunction with the relevant Users and Consumers, to validate offtake parameters.

However, it is proposed that this data cleansing activity could be undertaken in parallel with the period required for Authority Decision and systems modification, as to do so would be a 'no regrets' activity. As such the network related data improvement activities are not a constraining factor in terms of implementation.

[CHECK VALIDITY OF STATEMENT]

9 Legal Text

Legal Text has been provided by Northern Gas Networks and is included below. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

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Text Commentary

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DO WE NEED TO SAY SOMETHING ABOUT THE DES ASPECTS OF DELIVERY AND HOW THE SCREENS WOULD BE AMENDED THROUGH DSC GOVERNANCE, (DPM AMENDMENT)?

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Text

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10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that this modification should proceed to consultation.

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