UNC MODIFICATION 0764 – LEGAL TEXT AND COMMENTARY

A. COMMENTARY

The legal text, once implemented, ensures that the level of over and under recovery related to Transmission Owner maintains the appropriate split of under / over recovery across Entry and Exit for Transmission Services. It includes a transitional step to apply this to year t-2 for the first year of the updated Licence. Finally, this legal text updates references in UNC TPD Section Y (Part A-I) for the calculation of K_t (so that it is added rather than subtracted) in order to correctly align these provisions of the UNC to the prevailing Licence.

B. LEGAL TEXT

1. UNIFORM NETWORK CODE – TPD SECTION Y A1 PARAGRAPH 1.5.3 SHALL BE AMENDED AS MARKED UP BELOW:

1.5.3 For the purposes of this Part A-I, in relation to a Formula Year (t):

    (a)   **"Allowed FY Transmission Services Entry Revenue"** ($AFTSEnR_t$, in £) is determined as follows:

$$AFTSEnR_t = (0.5 * BMTOExcNTR_t) + ATSSOEnR_t +- K_{En,t}$$

where for the Formula Year:

$BMTOExcNTR_t$ is Base Maximum NTS TO (Excluding Non-TS) Revenue;

$ATSSOEnR_t$ is Allowed TS-Related NTS System Operation Entry Revenue;

$K_{En,t}$ is the Entry Revenue Adjustment;

(b)   **"Allowed FY Transmission Services Exit Revenue"** ($AFTSExR_t$, in £) is determined as follows:

$$AFTSExR_t = (0.5 * BMTOExcNTR_t) + ATSSOExR_t \text{+}\text{—} K_{Ex,t}$$

where for the Formula Year:

$BMTOExcNTR_t$ is Base Maximum NTS TO (Excluding Non-TS) Revenue;

$ATSSOExR_t$ is Allowed TS-Related NTS System Operation Exit Revenue;

$K_{Ex,t}$ is the Exit Revenue Adjustment;

and for the purposes of paragraphs 1.5.3(a) and 1.5.3(b), in relation to the Formula Year:

(c)   the **"Entry Revenue Adjustment"** ($K_{En,t}$, in £) is determined as the Entry Adjustment Proportion of the correction term revenue adjustment K_t;

(d)   the **"Exit Revenue Adjustment"** ($K_{Ex,t}$, in £) is determined as the Exit Adjustment Proportion of the correction term revenue adjustment K_t;

where:

(e)   the **"Entry Adjustment Proportion"** for Formula Year t is determined as:

$$K^{TS}_{En,t} / (K^{TS}_{En,t} + K^{TS}_{Ex,t})$$

(f)   the **"Exit Adjustment Proportion"** for Formula Year t is determined as:

$$K^{TS}_{Ex,t} / (K^{TS}_{En,t} + K^{TS}_{Ex,t})$$

where

$K^{TS}_{En,t}$ is determined by applying the formula in Special Condition 2A.192.1.13 substituting:

(A)   Transmission Services Entry Revenue in respect of Formula Year t-21 for NTS Transportation Owner Revenue in respect of Formula Year t-21; and

(B)   Allowed FY Transmission Services Entry Revenue in respect of Formula Year t-21 for Maximum NTS Transportation Owner Revenue in respect of Formula Year t-21;

$K^{TS}_{Ex,t}$ is determined by applying the formula in Special Condition 2A.19 2.1.13 substituting:

(A)   Transmission Services Exit Revenue in respect of Formula Year t-21 for NTS Transportation Owner Revenue in respect of Formula Year t-21; and

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(B)   Allowed FY Transmission Services Exit Revenue in respect of Formula Year t-21 for Maximum NTS Transportation Owner Revenue in respect of Formula Year t-2.1.

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2. UNIFORM NETWORK CODE TRANSITION DOCUMENT PART IIC

A new paragraph 27 shall be added to the Transition Document Part IIC as follows:

"**27.   REVISION TO NTS TRANSPORTATION CHARGING METHODOLOGY IN RESPECT OF TRANSPORTATION OWNER LEGACY CORRECTION TERM (LK$_t$)**

27.1   Introduction

27.1.1 Special Condition 7.4 of National Grid NTS' Gas Transporter's Licence provides for the calculation of term LK$_t$ (the transportation owner legacy correction term) which contributes to the calculation of the term LAT$_t$ (the transportation owner legacy adjustments term) which in turn feeds into the Allowed Revenue in Special Condition 2.1 of National Grid NTS' Gas Transporter's Licence. The effect of such condition is to close out the RIIO-GT1 correction term such that revenue in the Regulatory Year[1] commencing on 1 April 2021 and ending on 1 April 2022 reflects the correction value relating to the Regulatory Year commencing on 1 April 2019.

27.1.2 Special Condition 2.1.5 of National Grid NTS' Gas Transporter's Licence provides for the calculation of the Allowed Revenue term AR$_t$ which also refers to the correction term K$_t$ which is derived in accordance with part H (Transportation owner correction term K$_t$) which is derived in accordance with a formula set forth in 2.1.13 of National Grid NTS' Gas Transporter's Licence which applies to subsequent Regulatory Years.

27.1.3 This paragraph 27 sets out transitional arrangements in respect of Code Modification 0764 in connection with the implementation of the New Methodology[2] in relation to Transmission Services charges for the Gas Year commencing 1 October 2021 (the "**Transition Gas Year**") in order to:

(a)   ensure that any under or over recovery of an amount equal to the value of term LK$_t$ (the transportation owner legacy correction term) calculated in accordance with Special Condition 7.4 of National Grid NTS' Gas Transporter's Licence as relates to the Formula Year commencing 1 April 2019 (the "**Relevant LK$_t$ Amount**") shall be included in the Transition Gas Year; and

(b)   ensure that any under or over recovery of an amount equal to the value of the term K$_t$ (Transportation owner correction term) calculated in accordance with Special Condition 2.1.13 of National Grid NTS' Gas Transporter's Licence as relates to the Formula Year commencing 1 April 2020 (the "**Relevant K$_t$ Amount**") shall be included in the Transition Gas Year.

27.1.4 The following provisions of this paragraph 27 apportion the value of the Relevant LK$_t$ Amount and the Relevant K$_t$ Amount into an entry and exit proportion to be input into the Allowed Revenue to be used within the New Methodology to calculate the Transmission Services capacity reserve prices.

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[2] Defined in TD Part IIC 25.1.2 as the NTS Transportation Charging Methodology in Part A-I of TPD Section Y, subject to 25.2.2.

27.2   Allowed Revenue – Formula Year commencing on 1 April 2021

27.2.1 For the purposes of TPD Section Y Part A-I paragraph 1.5.1(a), in relation to the Formula Year commencing on 1 April 2021 (**"Formula Year T"**), the term **"Base Maximum NTS Transportation Owner Revenue"** shall be amended as follows:

"Base Maximum NTS Transportation Owner Revenue" is Maximum NTS Transportation Owner Revenue calculated disregarding both (i) the correction term revenue adjustment K_t in the formula in Special Condition 2.1.5. and (ii) the transportation owner legacy correction term LK_t derived by the formula in Special Condition 7.4.

27.2.2 For the purposes of TPD Section Y Part A-I paragraph 1.5.3, in relation to the Formula Year T the terms "**Allowed FY Transmission Services Entry Revenue**" and "**Allowed FY Transmission Services Exit Revenue**" shall be replaced with the following:

(a)   **"Allowed FY Transmission Services Entry Revenue"** ($AFTSEnR_t$, in £) is determined as follows:

$$AFTSEnR_t = (0.5 * BMTOExcNTR_t) + ATSSOEnR_t + LK_{En,t} + K_{En,t}$$

where for the Formula Year T:

$BMTOExcNTR_t$ is Base Maximum NTS TO (Excluding Non-TS) Revenue;

$ATSSOEnR_t$ is Allowed TS-Related NTS System Operation Entry Revenue;

$LK_{En,t}$ is the First Entry Revenue Adjustment;

$K_{En,t}$ is the Second Entry Revenue Adjustment;

(b)   **"Allowed FY Transmission Services Exit Revenue"** ($AFTSExR_t$, in £) is determined as follows:

$$AFTSExR_t = (0.5 * BMTOExcNTR_t) + ATSSOExR_t + LK_{Ex,t} + K_{Ex,t}$$

where for the Formula Year T:

$BMTOExcNTR_t$ is Base Maximum NTS TO (Excluding Non-TS) Revenue;

$ATSSOExR_t$ is Allowed TS-Related NTS System Operation Exit Revenue;

$LK_{Ex,t}$ is the First Exit Revenue Adjustment;

$K_{Ex,t}$ is the Second Exit Revenue Adjustment;

and for the purposes of paragraphs 27.2.2(a) and 27.2.2(b), in relation to the Formula Year T, the terms "**Entry Revenue Adjustment**", "**Exit Revenue Adjustment**", "**Entry Adjustment Proportion**" and "**Exit Adjustment Proportion**" in TPD Section Y Part A-I paragraph 1.5.3 (c), (d), (e) and (f) shall be replaced with the following:

"(c)   the **"First Entry Revenue Adjustment"** ($LK_{En,t}$, in £) is determined as the First Entry Adjustment Proportion of the correction term revenue adjustment LK_t

(d)   the **"First Exit Revenue Adjustment"** ($LK_{Ex,t}$, in £) is determined as the First Exit Adjustment Proportion of the correction term revenue adjustment LK_t

where:

(e)   the **"First Entry Adjustment Proportion"** for Formula Year T is determined as:

$$LK^{TS}_{En,t} / (LK^{TS}_{En,t} + LK^{TS}_{Ex,t})$$

(f)   the **"First Exit Adjustment Proportion"** for Formula Year T is determined as:

$$LK^{TS}_{Ex,t} / (LK^{TS}_{En,t} + LK^{TS}_{Ex,t})$$

where

$LK^{TS}_{En,t}$ is determined by applying the formula in Special Condition 7.4 of National Grid NTS' Gas Transporter's Licence substituting:

    (A)   Transmission Services Entry Revenue in respect of Formula Year T-2 for NTS Transportation Owner Revenue in respect of Formula Year T-2; and

    (B)   Allowed FY Transmission Services Entry Revenue in respect of Formula Year T-2 for Maximum NTS Transportation Owner Revenue in respect of Formula Year T-2;

$LK^{TS}_{Ex,t}$ is determined by applying the formula in Special Condition 7.4 of National Grid NTS' Gas Transporter's Licence substituting:

    (A)   Transmission Services Exit Revenue in respect of Formula Year T-2 for NTS Transportation Owner Revenue in respect of Formula Year T-2; and

    (B)   Allowed FY Transmission Services Exit Revenue in respect of Formula Year T-2 for Maximum NTS Transportation Owner Revenue in respect of Formula Year T-2;

and for the purposes of paragraphs 27.2.2(a) and 27.2.2(b), in relation to the Formula Year T:

(g)   the **"Second Entry Revenue Adjustment"** ($K_{En,t}$, in £) is determined as the Second Entry Adjustment Proportion of the correction term revenue adjustment K_t;

(h)   the **"Second Exit Revenue Adjustment"** ($K_{Ex,t}$, in £) is determined as the Second Exit Adjustment Proportion of the correction term revenue adjustment K_t;

where:

(i)   the **"Second Entry Adjustment Proportion"** for Formula Year T is determined as:

$$K^{TS}_{En,t} / (K^{TS}_{En,t} + K^{TS}_{Ex,t})$$

(j)   the **"Second Exit Adjustment Proportion"** for Formula Year T is determined as:

$$K^{TS}_{Ex,t} / (K^{TS}_{En,t} + K^{TS}_{Ex,t})$$

where

$K^{TS}_{En,t}$ is determined by applying the formula in Special Condition 2.1.13 substituting:

(A)   Transmission Services Entry Revenue in respect of Formula Year T-1 for NTS Transportation Owner Revenue in respect of Formula Year T-1; and

(B)   Allowed FY Transmission Services Entry Revenue in respect of Formula Year T-1 for Maximum NTS Transportation Owner Revenue in respect of Formula Year T-1;

$K^{TS}_{Ex,t}$ is determined by applying the formula in Special Condition 2.1.13 substituting:

(A)   Transmission Services Exit Revenue in respect of Formula Year T-1 for NTS Transportation Owner Revenue in respect of Formula Year T-1; and

(B)   Allowed FY Transmission Services Exit Revenue in respect of Formula Year T-1 for Maximum NTS Transportation Owner Revenue in respect of Formula Year T-1.