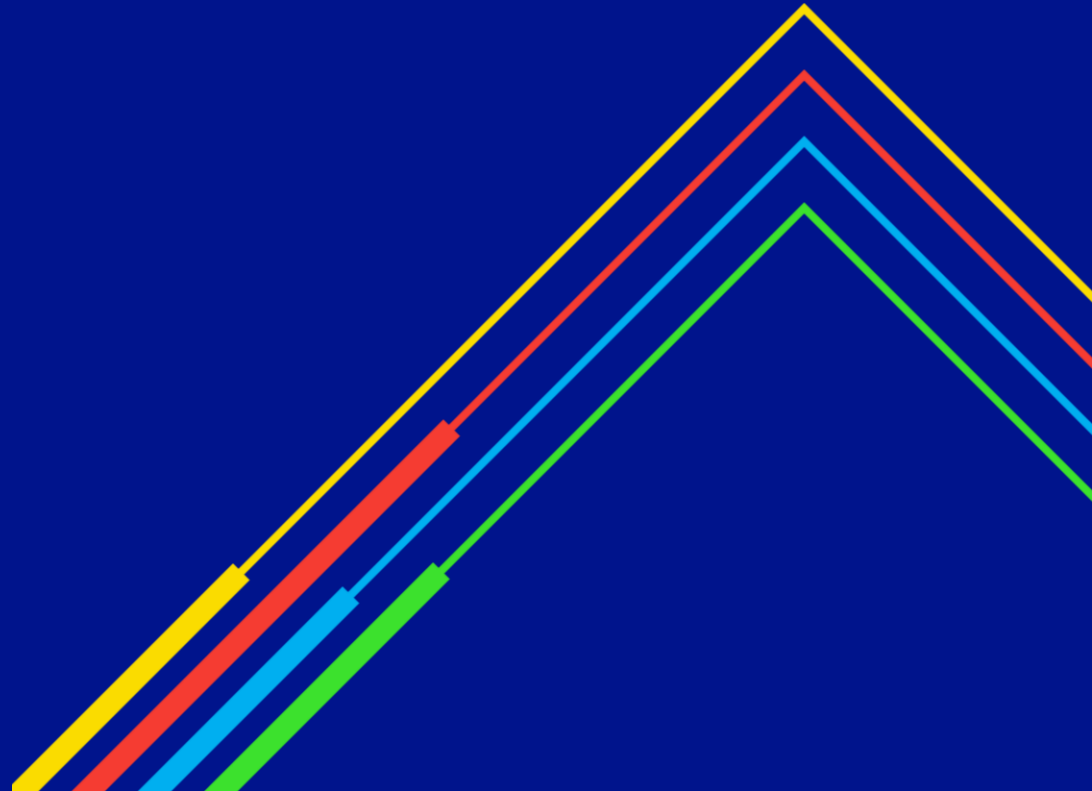


# Entry Capacity Assignment Modification Discussion

UNC0779

4<sup>th</sup> November 2021

nationalgrid



# Analysis

## Analysis

- Storage Sites – Potential impact of EC Rate vs Discounted Reserve Price
- UNC0728B interaction – Potential impact of EC Rate vs Discounted Reserve Price
- RRC impacts cannot be modelled but could tip the balance away from any profitability relating to storage or Avoidance of Inefficient Bypass (short-haul) discounts
- Any benefits associated with short-haul could effectively be achieved by matching Exit Capacity to Entry under the current arrangements, so the ability to move Entry Capacity does not increase the potential impact, though it is noted that the additional flexibility may make capacity and flow matching easier.

## Process

- Potential Rates estimated to 2031/32, the remainder of the period for which Existing Contracts are held.
- Beyond existing published provisional rates, future periods are based on the final year of RII02 Revenues, 2025/26, plus a 2% increase each year, and the current forecasted FCC inputs for the same year, 2025/26.
- For each Entry Point a maximum available discount is identified
  - 80% for Storage Sites
  - Between 23% & 90% calculated for Entry Points potentially eligible for the short-haul discount
  - 0% elsewhere
- Where the Calculated Entry Rate is lower than the Existing Contract rate the difference is calculated and multiplied by the available Existing Contract Volume for the period.
- This is assumed to be the worst-case revenue under recovery scenario for Entry.
- No new impacts to Exit rates are expected due to this modification.

# Analysis

	Entry TS Reserve Price p/kWh	Revenue Impact	Adjusted Entry TS Reserve Price p/kWh	Rate Impact p/kWh	Rate Impact p/kWh
2022/23	0.0774	£4,155,793.52	0.0782	0.0008	1.08%
2023/24	0.0678	£19,363,346.74	0.0704	0.0026	3.79%
2024/25	0.0666	£17,100,094.28	0.0693	0.0027	4.05%
2025/26	0.0724	£15,247,177.23	0.0750	0.0026	3.54%
2026/27	0.0619	£15,420,600.00	0.0641	0.0022	3.51%
2027/28	0.0602	£10,223,850.00	0.0616	0.0014	2.28%
2028/29	0.0544	£10,489,500.00	0.0557	0.0013	2.30%
2029/30	0.0474	£9,009,000.00	0.0483	0.0009	1.93%
2030/31	0.0468	£0.00	0.0468	0.0000	0.00%
2031/32	0.0477	£0.00	0.0477	0.0000	0.00%

# Impacts of Entry Assignments

- These impacts all arise where Entry Assignments are used in conjunction with Existing Contracts and Short-haul discounts.
- Currently there are no impacts arising at Storage sites.
- These benefits would increase and could also arise at Storage Sites in some scenarios under potential future charging modifications.
- These impacts will need to be kept under review and assessed in line with future network usage and alongside changes to the Charging Regime.
- The impacts to other Users are significant enough to warrant Authority Direction but not severe enough to suggest any need to withdraw the modification.

# Reinforcing The Case for Entry Assignments

## From the Modification Text:

Enabling Entry Capacity Assignments gives Users an enhanced level of flexibility when managing their Capacity portfolio.

- reduce their administrative burden and risks associated with long-term transfer of capacity to other Users;
- give new entrants an alternative to the short-term auctions;
- enables the benefits and potential discounts associated with holding both the capacity and liability simultaneously.

It also aids in ensuring capacity liability is held by the Shipper licensee utilising the capacity, reducing the need to maintain otherwise dormant Shipper licences.

From the analysis we can see that monetary benefits arise where Entry Assignments are used in conjunction with Existing Contracts and Short-haul discounts, but this benefits only a small number of Users at specific Entry/Exit Point combinations and negatively impacts all others.

To give the modifications the best chance of approval, we need to ensure a robust justification which demonstrates the benefits of Entry Assignments for more than a select few Users and provide strong reasoning behind inclusion of start and end dates with the potential to combine the two modifications in to one proposal.

# Timelines - Updates

## Six Workgroups proposed:

- This is to give time to discuss options and fully explore any proposed alternates
- Return to Panel scheduled for February 2022

## Analysis - presented at TxWG 4<sup>th</sup> November

- Storage Sites – Potential impact of EC Rate vs Discounted Reserve Price?
- UNC0728B interaction – Potential impact of EC Rate vs Discounted Reserve Price?
- In either case interaction with RRC cannot be modelled

## ROM & Legal Text

- ROM to be raised following update of the single Modification for discussion in November **Requested and due back around 12<sup>th</sup> November for discussion at December workgroup.**
- Legal text to be requested for December (earlier if possible) **Requested for discussion at December workgroup.**

## Implementation:

- Workgroups proposed to Feb-2022 - **Workgroup report to be completed in January NTSCMF and report to Panel that month**
- Consultation to Apr-2022 – **Should be completed by March 2022**
- Ofgem Decision
- Project Stand Up – 3 months (To be confirmed following ROM)
- System Development – 6 months (To be confirmed following ROM)
- A non-October start should be weighed against a potential Revenue Recovery Charge to compensate for any impacts.

national**grid**