

Representation - Draft Modification Report UNC 0779 0779A

0779 - Introduction of Entry Capacity Assignments 0779A - Introduction of Entry Capacity Assignments with Defined End Date

Responses invited by: 5pm on 11 February 2022

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Daniel Hisgett
Organisation:	National Grid NTS
Date of Representation:	11 February 2022
Support or oppose implementation?	0779 - Support 0779A - Comments
Alternate preference:	<i>If either 0779 or 0799A were to be implemented, which would be your preference?</i> 0779
Relevant Objective:	0779 a) Positive 0779A a) Positive d) Negative
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

0779:

As proposer of this Modification 0779, which looks to replicate the current Exit Assignment arrangements at Entry Point, National Grid NTS supports its implementation. Enabling Entry Capacity Assignments gives Users an enhanced level of

flexibility when managing their Capacity portfolio, giving them greater opportunity to optimise their portfolio and providing National Grid NTS more accurate long-term signals which makes the modification positive for Relevant Objective a) Efficient and economic operation of the pipe-line system.

It has the potential to reduce their administrative burden and the risks associated with long-term transfer of capacity to other Users. 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.

It gives new entrants an alternative to the short-term auctions and enables the benefits and potential discounts associated with holding both the capacity and liability simultaneously and so is positive for Relevant Objective d).

0779A:

The alternate Modification, 0779A, provides additional functionality in comparison to the existing Exit Assignment arrangement, which creates a new disparity between Exit and Entry which 0779 would redress. Whilst NGG believes that the Alternate offers similar benefits, we believe that this is to a lesser extent for Relevant Objective a) due to the inclusion of the short-term, partial period assignment ability, the inclusion of the weekly capacity auction and the shorter notice period. Overall, we feel it is still a positive change towards Relevant Objective a).

However, the additional features offered by UNC0779A begin to significantly overlap with the existing Capacity Transfer product and are therefore not specifically required to allow the movement of capacity on an interim basis. NGG believes that an Assignment is, by its nature, permanent and cannot be for a specified time-period. National Grid believe that an assignment should be considered a commitment to holding the capacity long term rather than it being a temporary exchange.

National Grid therefore believes that overall, there would be a negative impact on competition and so this Modification is negative in relation to Relevant Objective d).

Implementation: *What lead-time do you wish to see prior to implementation and why?*

Spring 2023 is the timeline proposed in the modification. This may flex dependant on Ofgem's decision timeline and where there is opportunity to combine implementation with other projects, whether inflight or proposed to run on a similar timescale.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

System enhancements will be required in Gemini to enable these changes which will be funded by NGG.

The published ROM indicates that should the modification be implemented there will be a lead time of 3 months for start-up, sanction & mobilisation which should be considered. There is the potential for this to be shortened, subject to the delivery mechanism, availability of resources and interaction with other Modifications inflight.

The high-level estimate to develop and deliver this change is approximately 28 to 30 weeks for Analysis through to Post Implementation Support.

An enduring solution will cost at least £435,000 but probably not more than £560,000 to implement and the change is not expected to increase ongoing running costs. These figures are the same for both the original and the alternative modification.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes, the legal text satisfies the intent of the solution.

Modification Panel Members have requested that the following questions are addressed:

Q1. What are the merits of the alternative Modification 0779A Capacity exclusion aspects?

National Grid view Capacity Assignment as a long-term solution to a shortage or excess of Capacity held by a User. Short term adjustments can already be made via the Capacity Transfer processes and so the inclusion of weekly capacity auctions as an Assignable product appears to be inconsistent with the need for Capacity Assignment at Entry, as does the ability to end date what should be a permanent Assignment of Capacity.

Q2. Do you have any views around redistribution of costs and likelihood of under recovery of costs for National Grid?

The redistribution of costs analysis is likely a worst-case scenario based on current capacity usage, though these figures may evolve over time as the charging methodology becomes embedded and Shipper behaviours adapt.

The additional features of the alternative would allow users to optimise the benefits available to them, potentially increasing the impact compared with UNC0779. These should remain within the worst-case scenario figures in the short term but will need to be monitored should a change be implemented.

Under either proposal the potential for under-recovery against forecasts, due to optimisation of capacity bookings, would be assessed as part of the annual charge setting process. Should it be appropriate, an amendment to the Forecasted Contracted Capacity (FCC) Methodology could be discussed as part of an FCC review for the year of implementation. The FCC calculations for following years would be unaffected as any known behavioural changes would be reflected via the current FCC process.

The proposer of the alternative has also noted, in their modification and the workgroup report, the additional benefits they expect to gain via the interaction with the Conditional NTS Capacity Charge Discount (CNCCD) product should the alternative be implemented. This is something NGG believe will need to be monitored, under both modifications, to ensure the benefits afforded by the CNCCD product are appropriate as part of the overall charging methodology and consider any reciprocal impact on other charges.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

None.

Please provide below any additional analysis or information to support your representation

All analysis required has been submitted as part of the Workgroup Report.