

UNC Modification	At what stage is this document in the process?
<h1>UNC 0817 (Urgent):</h1> <h2>Treatment of Existing Capacity Holding at Easington on creation of the new Rough Storage ASEP</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #008000; color: white; padding: 5px; display: flex; justify-content: space-between; align-items: center;"> 01 Modification </div> <div style="border: 1px solid blue; padding: 5px; display: flex; justify-content: space-between; align-items: center;"> 02 Workgroup Report </div> <div style="border: 1px solid purple; padding: 5px; display: flex; justify-content: space-between; align-items: center;"> 03 Draft Modification Report </div> <div style="border: 1px solid orange; padding: 5px; display: flex; justify-content: space-between; align-items: center;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>In response to the impending resumption of gas storage activities at Rough a new Rough Storage ASEP is being carved out of the Easington ASEP. This Modification proposal will ensure that existing capacity holdings at the Easington ASEP may be utilised at the Rough Storage ASEP.</p>	
<p>Next Steps:</p> <p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> treated as urgent and should proceed as such under a timetable agreed with the Authority 	
<p>Impacted Parties:</p> <p>High: Centrica Energy Limited</p> <p>Low: National Grid Gas, Shippers</p> <p>None:</p>	
<p>Impacted Codes: None.</p>	

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1 Summary

What

Centrica is working on the resumption of gas storage at Rough in order to strengthen GB's gas security of supply during the forthcoming winter. Prior to 06 April 2017, Centrica Energy Limited (Centrica) acquired NTS Entry Capacity at the Easington Aggregate System Entry Point (ASEP) to underpin future withdrawals from the facility, which subsequently closed in 2017. Since the implementation of UNC Modification 0678A in October 2020, the new charging reforms required that Storage Connection Points could not be combined with other System Entry Points and as such National Grid has created a new Rough Aggregate System Entry Point for withdrawals from the facility. As a consequence, the Existing Entry Capacity held by Centrica at the Easington ASEP cannot be used for the purpose it was acquired unless a change to the UNC is implemented which facilitates the rededication of NTS Entry Capacity from the Easington ASEP to the newly formed Rough ASEP. This proposal provides a pragmatic interim solution to the problem for Winter 2022-23.

Why

If Centrica is unable to rededicate its Existing Entry Capacity at Easington ASEP that capacity will no longer be available for the purpose for which it was originally acquired. Instead, Centrica will have to acquire new capacity at the Rough Entry Point at additional cost thereby inflating the overall cost of storage. If the change is not made, the resumption of storage activities at Rough will result in an expropriation of Centrica's right to use Entry Capacity at the Easington ASEP for the purposes for which it was originally acquired, with the additional cost of acquiring new capacity feeding through to the wholesale price of gas to the detriment of the GB gas market and consumers. For the avoidance of doubt, the proposed solution applies only to Existing Entry Capacity held by Centrica at the Easington ASEP.

How

In response to the establishment of a new ASEP for Rough, on a monthly basis Centrica will be able to nominate amounts of its Existing Capacity Holding at the Easington ASEP for use at the Rough Storage ASEP in the following month. The amount so nominated for a Day will:

- (a) be deducted from each of Centrica's Fully Adjusted Firm Available NTS Entry Capacity, Existing Registered Holding and Existing Available Holding at Easington ASEP in respect of that Day; and
- (b) constitute its Fully Adjusted Firm Available NTS Entry Capacity at Rough Storage ASEP in respect of that Day (or shall be added to any Fully Adjusted Firm Available NTS Entry Capacity already held by Centrica for that ASEP and Day) and be classified as Centrica's Existing Registered Holding and Existing Available Holding at Rough Storage ASEP in respect of that Day.

The effect of this adjustment will be that Centrica is able to utilise NTS Entry Capacity it holds at Easington ASEP to support withdrawals of gas from the new Rough Storage ASEP (being the purpose for which it was originally acquired) without paying inappropriate additional charges for that capacity. The adjustment of the Fully Adjusted Firm Available NTS Entry Capacity for the two ASEPs ensures that Centrica's Easington ASEP NTS Entry Capacity can be used so as to avoid inappropriate Overrun Charges at the Rough Storage ASEP. As the nominated amount is reclassified as being the Existing Registered Holding and Existing Available Holding for

the Rough Storage ASEP, there is no impact on overall Entry Transmission Services Revenue Recovery and NTS Entry Transmission Services Rebate Charges.

The nomination process has been proposed as an interim solution to make use as best may be of existing system functionality, utilised in connection with the system's process for the surrender of NTS Entry capacity in advance of the rolling Monthly NTS Entry Capacity auctions.

For the avoidance of doubt, it is not proposed that any contractual surrender, transfer or new auction of capacity will take place, just the reclassification of existing Capacity at the Easington ASEP so that additional charges are not incurred due to its use at the System Entry Point for Rough, the purpose for which it was acquired. This proposal provides an interim pragmatic solution to apply for the period until 31 March 2023 only, designed to minimise the system changes required for implementation in view of the urgent need for change. In the event that Rough is required to operate as a storage facility in subsequent winters, a more comprehensive solution creating more flexibility as to the usage of Centrica's Existing Available Holdings of NTS Entry Capacity at the Easington ASEP in support of withdrawals from Rough may be proposed.

2 Governance

Justification for Urgency

Urgent status is requested to allow Centrica to utilise Existing Entry Capacity at the newly established Rough ASEP over the coming winter. It is well known in the industry that the Rough Storage Facility can play a key role in strengthening the UK's gas security of supply. Implementation of this Modification will ensure that Centrica can withdraw gas during the winter period at the lowest cost possible thereby benefiting UK customers.

Further, if the Modification is not implemented prior to the anticipated storage withdrawal period later this year, Centrica will be denied access to entry capacity it had previously acquired for the purpose it was intended. Instead, Centrica will be required to acquire additional NTS Entry Capacity at a significantly higher cost. Certainty is required as to the costs of withdrawing gas from the Rough facility over the coming Winter to inform the assessment of the business case for injections into storage in the next couple of months prior to the onset of winter.

As such, we believe that Urgency criterion A "a significant commercial impact on parties, consumers and stakeholders" and Urgency criterion B "a significant impact on the safety and security of the gas and electricity systems" are satisfied and an urgent timeframe for implementation can be agreed with the Authority.

Justification for Authority Direction

The Modification is recommended to be sent to the Authority for direction as it will have a material impact on security of supply and competition in the gas shipping sector. Implementation of this Modification will permit Centrica to access Entry Capacity at the newly established Rough Entry Point which had been previously acquired at the Easington ASEP for the purpose of underpinning Rough Storage withdrawals. This will strengthen GB security of supply through lowering the cost of supply of gas from Rough Storage while honouring the contractual arrangements entered into by a User prior to the enforced "split" of a System Entry Point as a result of subsequent Modifications to the UNC. Were this Modification not implemented, it would result in significant costs being incurred by a User which would be discriminatory and detrimental to competition.

Requested Next Steps

This Modification should:

- be treated as urgent and should proceed as such under a timetable agreed with the Authority.

3 Why Change?

In the interests of strengthening UK gas security of supply during Winter 2022/23, Centrica has been engaging with the government to explore the possibility of reinstating Rough Storage. It should be noted that the Authority is empowered to determine the outcome of this Modification and the government has no influence on the Authority's decision-making process. Prior to its closure Rough Storage was the largest storage facility in the UK providing long duration, seasonal support to the gas market and its reinstatement will provide increased resilience to the market ahead of what could be a tight winter.

On this basis, Rough Storage has been granted a gas storage licence¹ and an exemption from negotiated third party access obligations.²

In order to provide Rough Storage access to the NTS, Users will be required to acquire NTS Entry Capacity and NTS Exit Capacity. Unlike at exit, where an NTS Exit Point for Rough already exists in National Grid's GT Licence, by virtue of the UNC requirements it is necessary to establish a new NTS Entry Point for Rough which is a departure from the arrangements which existed prior to the closure of Rough Storage, as at that time it was included with the Easington NTS Entry Point.

The relevant UNC requirements came into force following the implementation of UNC Modification 0678A - Amendments to Gas Transmission Charging Regime. UNC TPD A1.5.1 provides that "the Individual System Points at which a Storage Facility is connected to a System shall be a System Point (which is in relation to such Storage Facility the "Storage Connection Point"). A1.5.2 provides that a Storage Connection Point shall be both a System Entry Point and an Aggregate System Entry Point (ASEP) as well as a Connected System Exit Point. Accordingly, with the planned resumption of gas storage at the Rough facility, and its reversion to the status of a Storage Facility as defined by TPD R1.2.1(a)³, National Grid has established a new ASEP for the Rough facility in accordance with Gas Transporter Licence Special Condition 9.13 Part E, of National Grid's GT Licence. The Rough Storage ASEP is classed as a Storage Site Point in accordance with UNC TPD Y Part A-1 1.3.2 (e).

The implementation of UNC Modification 0678A also included a new class of NTS Entry Capacity to ensure compliance with the EU Tariff Code⁴. Existing Registered Holdings of NTS Entry Capacity are defined in UNC TPD Y2.2.2 which constitute NTS Entry Capacity bookings made before the Tariff Regulation Effective Date (06 April 2017). These holdings, known as Existing Entry Contracts provide the holder with a number of protections

¹ <https://www.nstauthority.co.uk/news-publications/news/2022/nsta-awards-rough-gas-storage-licence-to-centrica-offshore-uk-ltd-in-first-stage-of-potential-reopening/>

² <https://www.ofgem.gov.uk/publications/decision-centrica-storage-limits-application-exemption-ntpa-rough-gas-storage-facility>

³ R1.2.1 For the purposes of the Code:

(a) a "Storage Facility" is a facility:

(i) which is directly connected to the Total System;

(ii) whose principal purpose is the storage of gas;

(iii) in which gas offtaken from the Total System, together with (if any) gas located within a storage facility which has not been injected from the Total System nor any other system or facility ("**native gas**"), and only gas offtaken from the Total System and native gas (if any) may be stored, and from which stored gas may be delivered to the Total System whether or not gas withdrawn from such storage may also be delivered other than to the Total System;

(iv) which is not a facility operated and used by the Transporter solely for diurnal storage;

⁴ Commission Regulation EU No 2017/460

including: fixing the price of capacity at the level at which it was acquired; and exemption from the application of Revenue Recovery Charges.

Centrica booked System Entry Capacity at the Easington ASEP prior to the Tariff Regulation Effective Date for the purpose of underpinning withdrawals from Rough. The bookings were made over a range of years and expire on 01 April 2025.

Under the UNC as it stands, Users do not have the right to transfer capacity from one ASEP to another. In the absence of a Code Modification, the new Rough ASEP established by National Grid Gas (NGG) will not have any NTS Entry Capacity assigned to it, even though the Entry Capacity held by Centrica at Easington was primarily bought for deliveries from Rough, operating as a storage facility. If this Modification is not implemented, the establishment of a new Rough ASEP would have the effect of expropriating Centrica's rights to withdraw gas from the Rough facility.

For the avoidance of doubt, the proposed solution applies only to Existing Entry Capacity held by Centrica at the Easington ASEP because Centrica is the sole purchaser of this capacity with the intention of utilising it for the purposes of facilitating withdrawals from Rough. Moreover, Centrica has been granted an exemption from negotiated third party access for Rough's gas storage capacity in the winter of 2022/2023 and is the only User that will need to use NTS Entry Capacity at Rough.

Transitional change

At this time there is no certainty that Rough storage will remain in operation post Winter 2022/23, as such the UNC changes proposed will only be effective until 31 March 2023. Thus, the ability for Centrica to nominate the rededication of NTS Entry Capacity in the following month will expire at the end of February 2023.

In the event that Rough is required to operate as a storage facility in subsequent winters, a more comprehensive solution creating more flexibility as to the usage of Centrica's Existing Available Holdings of NTS Entry Capacity at the Easington ASEP in support of withdrawals from Rough may be proposed.

4 Code Specific Matters

Reference Documents

UNC TPD Sections B and Y. UNC Transition Document

Knowledge/Skills

NTS Entry Capacity.

5 Solution

In respect of the period from 01 October 2022 until 31 March 2023 Centrica will be able to nominate an amount of its Existing Available Holding at the Easington ASEP for use at the Rough Storage ASEP. Nominations in respect of any month must be given to National Grid Gas no later than the time established as the "rolling monthly surrender date" for the relevant month pursuant to TPD B2.3.5. The amount nominated in respect of any Day (the "Rough Dedicated Capacity" for that Day) may not exceed Centrica's Fully Adjusted Available NTS Entry Capacity at the Easington ASEP for that Day. The nomination of an amount of Rough Dedicated Capacity for a Day shall have the effect of:

- (a) decreasing each of Centrica's Fully Adjusted Available NTS Entry Capacity, Existing Registered Holding and Existing Available Holding at the Easington ASEP in respect of that Day by the nominated amount; and
- (b) increasing the amount of each of Centrica's Fully Adjusted Available NTS Entry Capacity, Existing Registered Holding and Existing Available Holding at the Rough Storage ASEP in respect of that Day by the nominated amount:

Consequently, Centrica will be able to nominate and flow withdrawals of gas from Rough on a Day up to the level of the Rough Dedicated Capacity for that Day (subject to any aforementioned adjustments) without incurring Overrun Charges with Centrica's entitlement to deliver gas at the Easington ASEP free of overrun charges being reduced by an equal amount.

NTS Entry Capacity Charges shall apply on the basis that the Rough Dedicated Capacity for a Day was, at the Tariff Regulation Effective Date, Centrica's Registered NTS Entry Capacity at the Rough ASEP for that Day. In effect the current UNC taxonomy, whereby a Storage Connection Point must be a separate ASEP, is applied as if it were in force on the Tariff Regulation Effective Date, to the extent necessary to support planned withdrawals from Rough, being the primary purpose for which that Capacity was originally acquired. Consequently, the NTS Entry Capacity Charge for NTS Entry Capacity dedicated by Centrica to support withdrawal from Rough Storage will be determined in the same way as if that Capacity remained part of its Existing Registered Holding at the Easington ASEP, on the basis of the clearing price or reserve price for the Auction in which that NTS Entry Capacity was allocated. As the Reserve Price does not apply to the Rough Dedicated Capacity, Centrica will not gain any additional benefit from the 80% Specific Discount on that Capacity Charge.

Similarly, the reclassification of Rough Dedicated Capacity as Fully Adjusted Available NTS Entry Capacity and Existing Available Holding at Rough Storage ASEP instead of Easington will have no impact on Centrica's overall Entry Transmission Services Revenue Recovery and NTS Entry Transmission Services Rebate Charges.

As the Rough ASEP is a Storage Connection Point, it will not satisfy the CNCCD Eligibility Criteria and, along with such other Fully Adjusted Firm Available NTS Entry Capacity as Centrica may acquire at the Rough Storage ASEP, to the extent that it is nominated as Rough Dedicated Capacity and utilised in support of deliveries at the Rough Storage ASEP, Centrica's Existing Capacity Holding at the Easington ASEP will not be eligible for the CNCC Discount for shorthaul deliveries.

6 Impacts & Other Considerations

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

No

Consumer Impacts

The Modification will be positive for all consumers. Respecting Centrica's entitlement under its Existing Capacity Holding will enhance security of supply and reduce the cost of withdrawing gas from the Rough storage facility. If this Modification was not implemented, Centrica would be required to acquire more expensive NTS Entry Capacity thereby increasing the cost of withdrawals from Rough and adding to the overall cost of balancing the network and maintaining security of supply in the face of unprecedented pressures on European gas markets.

What is the current consumer experience and what would the new consumer experience be?

The reprisal of Rough as a gas storage facility is one of very few measures available in the short term to improve security of supply in the coming Winter. The maintenance of the existing pricing arrangements for capacity originally purchased for use to support withdrawals from Rough will ensure that inappropriate additional costs are not on the market, purely as a result of the technical complications arising out of the redesignation of Rough as a Storage Facility for the purposes of the UNC. This will benefit all customers.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
<p>Improved safety and reliability</p> <p>Lowering NTS Entry Capacity costs will enhance security of supply by permitting withdrawals from storage at lower costs than would otherwise be the case, and by improving the business case for injecting gas into Rough in advance of the coming Winter.</p>	Positive
<p>Lower bills than would otherwise be the case</p> <p>Where Rough withdrawals set the marginal cost of supply, this will reduce the wholesale price of gas, which in turn should feed through to lowering customer bills. If Rough is not the marginal supplier of gas, its contribution to the supply stack will dilute the potential from relying on alternative high priced marginal supplies. Again this will feed through to the wholesale price of gas.</p>	Positive
<p>Reduced environmental damage</p>	None
<p>Improved quality of service</p>	None
<p>Benefits for society as a whole</p> <p>Enhancements to security of supply and dampening of the cost of gas will provide benefits to all sectors of the economy.</p>	None

Cross-Code Impacts

None

EU Code Impacts

None. Existing capacity bookings are retained for use, for the purposes, and at the physical System Entry Points, for which they were acquired prior to the introduction of the EU Tariff Code. Hence there is no impact on the levels of transmission tariffs resulting from contracts or capacity bookings concluded before 06 April 2017.

Central Systems Impacts

A process will need to be introduced on a temporary basis to manage Centrica’s monthly nominations and make the consequent adjustment to the values of Centrica’s Fully Adjusted Available NTS Entry Capacity, Existing Registered Holding and Existing Available Holding at the Easington and Rough Storage ASEPs.

7 Relevant Objectives

Impact of the Modification on the Transporters’ Relevant Objectives:

Relevant Objective	Identified impact
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.	None
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.	Positive
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.	None
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

- a) Efficient and economic operation of the pipe-line system.

The Rough ASEP was established to comply with the UNC restrictions requiring the separation of Storage System Points from other System Points. Allowing Centrica to utilise Existing Entry Capacity it had acquired at Easington for the purpose of underpinning withdrawals from Rough will ensure storage injections are at a lower cost than otherwise would be the case. Reductions in withdrawal costs will facilitate the optimisation of Rough storage operations thereby facilitating physical security on more economic terms while reducing the overall cost of balancing the system.

- d) Securing of effective competition:
(i) between relevant shippers;

Without this Modification, Centrica would be denied access to entry capacity it had acquired for the purpose of underpinning withdrawals from Rough. Not only would Centrica be exposed to higher costs, as a result of having to acquire additional entry capacity, this expropriation of rights also undermines the entry capacity regime and discriminates against a User which is subject to a restructuring of an ASEP post acquisition of capacity. Such an outcome would be damaging to competition.

For information, there is no change to the NTS Charging methodology. The Modification is required to ensure that the NTS Charging methodology applies as intended notwithstanding the establishment of a Rough Storage ASEP. On this basis, the Relevant Charging Methodology Objectives have not been assessed.

8 Implementation

As urgent status has been requested the timeline for implementation is to be agreed by the Authority with implementation as soon as possible to provide certainty as to the costs that will be incurred in connection with gas injected into Rough storage facility in the period prior its anticipated withdrawal during Winter 2022-23. Centrica will need Entry Capacity to support withdrawals from Rough Storage from 01 October 2022, so a decision on the Modification Proposal is required by early September at the very latest to allow time for development of the proposed nomination process in time for Centrica to rededicate its existing Entry Capacity at Easington ASEP for use at the new Rough Storage ASEP from 01 October onwards.

9 Legal Text

Text Commentary

The legal text will consist of the insertion in Part IIC of the UNC Transition Document of provisions setting out the process for Centrica's monthly nomination of Rough Dedicated Capacity for the period 01 October 2022 to 31 March 2022, and temporary revisions in respect of that period of the definitions of Fully Adjusted Available NTS Entry Capacity, Existing Registered Holding and Existing Available Holding at the Rough Storage ASEP as applicable to Centrica.

10 Recommendations

Proposer's Recommendation to the Authority

The Authority is asked to:

- Agree this Modification should be treated as Urgent and should proceed as such under a timetable agreed by the Authority.