

Representation - Draft Modification Report UNC 0805

Introduction of Weekly NTS Exit Capacity Auctions

Responses invited by: 5pm on 12 August 2022

To: enquiries@gasgovernance.co.uk

Representative:	Anna Stankiewicz
Organisation:	National Grid
Date of Representation:	12 th August 2022
Support or oppose implementation?	Oppose
Relevant Objective:	a) Positive d) Negative
Relevant Charging Methodology Objective:	Not Applicable

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

National Grid agrees that UNC0805 *Introduction of Weekly NTS Exit Capacity Auctions* would address some of the shortfalls in the existing portfolio of Exit NTS capacity products. If implemented, it has a potential to support some NTS Users in securing firm capacity on a more flexible short-term basis than they can currently, without the risk of capacity being withheld. It can also relieve Users from having to establish daily capacity booking strategies by allowing slightly longer-term planning.

While National Grid recognises the benefits of an introduction of a new Exit auction as outlined above, we also deem it appropriate to consider the basis on which one group of Users, DNs, have been excluded from the possibility of using it as a product. We recognise some of the arguments made in favour of excluding this User group from the proposed product, however, we don't feel that they are strong enough to justify the different treatment this change would introduce to the market. We believe that all Users should have equal access to all capacity products available.

The implementation of this proposal could have some positive impact on efficient and economic operation of the NTS, providing the weekly booking option was used and gave an earlier insight into the level of anticipated flows (assuming the modification will impact User behaviour i.e., daily capacity Users will switch to weekly product). The degree to

which this foresight would be useful is unknown at this point. We would like to note that inclusion of DNs would not hinder our ability to operate more effectively (as stated in the proposal) but would make us more reliant on other sources of LDZs long term demand data already available (mainly DN's Section H demand forecast shared with NGG annually and Future Energy Scenarios).

If Users currently relying on annual bookings switch to a weekly product, this is likely to have a positive impact on competition, as by booking more accurately they will be saving costs. However, as analysis included within the proposal demonstrates, we are likely to experience only a limited behavioural impact due to the fact that majority of Power Stations / Industrial and Commercial sites already book capacity via the short-term products. Therefore, whilst we recognise the impact as positive, it may only be marginally positive overall.

Exclusion of one User group from accessing the weekly product will have a negative impact on competition and fairness in having access to all capacity products available. On balance, we believe the negative impact on competition (preventing competition between DN operators and relevant shippers) outweighs the slight positive, hence we oppose implementation of this proposal.

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

Significant system changes would be required to implement this modification as well as other considerations related to publication of prices:

- Implementation of system changes, estimated in the ROM as 20-22 weeks plus a three month lead time for start-up/sanction/mobilisation, plus Ofgem decision making time, mean that this modification would not be likely to be implemented, and the Weekly auction not available to use, before circa October 2023.

Should this modification be approved, National Grid NTS proposes implementation should follow the following steps (similar as in case of implementation of Modification proposal 0752S Introduction of Weekly Entry Capacity Auctions):

1. Following Ofgem's implementation decision, a Notice of Implementation shall be issued which states the system implementation date as "to be determined".
2. In the next Code update, as close to the decision date as is operationally possible, a footnote should be added to the impacted sections of the UNC text that identifies the future implementation of the modification which would amend that section.
3. Once a firm date for implementation of the system changes is identified, a further Notice of Implementation shall be issued confirming this as also being the date at which the legal text is implemented in the UNC.
4. Concurrently to the legal text being implemented into the UNC, the reserve price for the Weekly auction shall be published with Ofgem approval (the reserve price cannot be published without the legal text being present in UNC, Ofgem's approval to publish reserve prices outside of standard timeframe of on or after 1st August will be needed as per NGG's Licence Special Condition A11(18)).

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

National Grid NTS will be subject to the costs of system implementation as outlined in the ROM, which are expected to be in the range of £280,000 to £365,000 to implement.

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

National Grid NTS are satisfied that the legal text delivers the intent of the Solution.

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 identified.

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

N/A