










UNC Final Modification Report	At what stage is this document in the process?
<h1 style="color: #008080;">UNC 0817 (Urgent):</h1> <h2 style="color: #008080;">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 #008080; padding: 2px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="border: 1px solid #008080; padding: 2px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid #800080; padding: 2px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #FF8C00; padding: 2px; display: flex; align-items: center; gap: 5px;"> 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 Panel recommends implementation.</p>	
<p>Impacted Parties:</p> <p>High: Centrica Energy Limited</p> <p>Low: National Grid Gas, Shippers</p> <p>None:</p>	

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Timetable			
Modification timetable:			
Date Modification Raised	23 August 2022		
Ofgem Decision on Urgency	30 August 2022		
Draft Modification Report issued for consultation	31 August 2022		
Consultation Close-out for representations	06 September 2022		
Final Modification Report available for Panel	06 September 2022		
Modification Panel decision consideration	08 September 2022		
Modification sent to Ofgem	08 September 2022		

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 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,

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

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.

Text

Legal Text has been provided by National Grid and was published alongside this report on 31 August 2022. <https://www.gasgovernance.co.uk/0817>

10 Consultation

Panel invited representations from interested parties on 30 August 2022. All representations are encompassed within the Appended Representations section.

The following table provides a high-level summary of the representations. Of the 3 representations received 1 supported implementation, and 2 provided comments.

Representations were received from the following parties:		
Organisation	Response	Relevant Objectives
Centrica Energy Ltd	Support	a) positive d) positive
National Grid NTS	Comments	a) none d) none
SSE	Comments	a) none d) none

Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

Discussion

The Panel Chair summarised that Modification 0817 (Urgent) would ensure that Existing Capacity holdings at the Easington ASEP may be utilised at the Rough Storage ASEP. The Modification has been raised in response to the impending resumption of gas storage activities at Rough, where a new Rough Storage ASEP has been carved out of the Easington ASEP.

Panel Members considered the representations made noting that, of the 3 representations received, 1 supported implementation and 2 provided comments.

Some Panel Members agreed with the Proposer that this Modification would enable Rough to deliver gas storage services this Winter when gas supplies are likely to be tight; the Modification will mitigate the potential effects on the wholesale price of gas to the detriment of the GB gas market and consumers which would occur if the Proposer had to acquire new capacity at the Rough Entry Point at current prices over the forthcoming winter. The Modification enables the Proposer to retain and utilise its right to use Entry Capacity originally bought for the Easington ASEP for the purposes for which it was originally acquired (namely provision of storage services at Rough). The Modification aligns with the monthly capacity release process with the rededication of capacity each month. Central Storage Limited owns Rough Storage and acquired the capacity to support this prior to 2017. Other Users hold capacity at Easington.

Some Panel Members did not agree that the Proposal was required and noted that Entry Capacity is now available for purchase at the Rough Storage ASEP and will qualify for 80% Storage discount on current reserve prices. Existing Contracts bought before 2017 can be surrendered under current processes. In addition, the proposed process for redesignating Existing Capacity Contracts held at Easington to be treated as if that Entry Capacity was allocated at the Rough Storage ASEP before Tariff Regulation date (06 April 2017) allows only one Shipper to benefit from what appears to be a competitive advantage. The flexibility enabled by the proposed process is greater than that offered when a similar proposal was raised in 2014 (Modification 0501V).

Additional Panel Discussion

The Proposer outlined that by reducing the costs associated with the cycling of storage it will impact the wholesale gas prices; this Modification will reduce the cost of bringing gas out of storage.

A Panel Member responded noting that the Modification will reduce the cost for Centrica but questioned whether that cost reduction would have any feed through benefit to consumers. Given that the wholesale gas price is not being driven by gas prices in GB, over the 6 month period, they questioned whether consumers would realistically see any of that in this winter 22/23.

The Proposer stated that the facility is providing additional security. Gas stored in Rough will come out over this winter. Exit volumes are likely to closely match those entering. The supply stack should benefit by Rough Gas displacing whatever would be the most expensive e.g. if there were an LNG cargo landing at a higher price than the current gas market price, this could be displaced by gas from Rough, thus benefitting the supply stack.

A Panel Member noted that if Rough had never been shut down as a facility, the Proposer would have retained its contract which runs until around 2025. Since October 2020 (implementation of EU TAR NC in GB) the UNC requires that a new ASEP needs a new contract; this is designed for fairness across industry. The storage capacity would attract the 80% storage discount anyway so the cost under consideration is only 20%.

The Proposer clarified that under-recovery would not occur since the Rough storage capacity had not expected and therefore is not factored into current reserve prices (it is not in the FCC).

A Panel Member asked whether it could be proven that the capacity bought by Centrica before April 2017 was bought for the purposes of withdrawal from Rough? The Proposer confirmed it could and suggested Ofgem could ask to see this if required.

Panel Members sought clarification around the introduction of Tariff NC Article 35, asking whether the Article was specifically aimed at preventing porting over or transferring of capacity rights? The Proposer and a representative of National Grid both confirmed that Article 35 was brought in to protect the contracts which had been bought prior to and thus without the knowledge of the new changes being brought in with the Tariff Network Code.

The Proposer further clarified that the rules regarding Storage points have changed since October 2020. Capacity was acquired prior to that (for the purposes of withdrawing gas from Rough). Without this Modification there would be an expropriation of Centrica's rights in relation to the capacity bought.

A Panel Member wished to explore whether a more open arrangement could have been considered, for example one which was available to other Users. They asked, for example, if the Capacity had been traded what would now happen. They wished to understand in essence what the justification for special treatment was.

The Proposer responded that the "wrinkle" in the administrative rules requiring the setting up of the new ASEP would otherwise expropriate Centrica's capacity rights for withdrawal of gas from Rough. This is the heart of the matter being addressed by the Modification. They clarified that there would be no point in opening the mechanism up more widely as no other User could benefit.

A Panel Member noted that previously, Storage gas was required to be sold into the marketplace but this is not now the case. This means that in theory, Centrica could now use Rough entirely for its own purposes.

Panel Members noted National Grid's consultation response point regarding the potential effect on charges in a subsequent year but had no further comment to make in this regard.

A Panel Member asked for clarification of the amount of Entry capacity involved. The Proposer clarified that the amount is not available at this stage, but however, gave reassurance that there is no commercial driver to transfer more than required over the forthcoming month. Panel Members noted that cushion gas has been reduced over the years.

Some Panel Members noted that implementation of the Modification or otherwise would not stop the re-opening of Rough. However, there could be an impact on utilisation. The Authority can, if required, find out how the facility will be used and could consider whether this warrants the implementation of the Modification.

Consideration of the Relevant Objectives

Panel Members considered Relevant Objective a) *Efficient and economic operation of the pipe-line system*, agreeing that implementation would have a positive impact because...

- The creation of Rough as a separate ASEP complies with UNC restrictions.
- The resumption of gas storage at Rough should strengthen GB's gas security of supply during the forthcoming winter through lowering the cost of supply of gas from Rough Storage and providing an additional tool to aid in balancing the network.
- It helps maintain security of supply in the face of unprecedented pressures on European gas markets.

A Panel Member considered Relevant Objective c) Efficient discharge of the licensee's obligations agreeing that implementation would have a negative impact because...

- The Modification appears to be unduly discriminating towards Centrica.

A Panel Member considered Relevant Objective d) Securing of effective competition, agreeing that implementation would have a positive impact because...

- It allows the Proposer to retain and utilise its right to use Existing Entry Capacity originally bought at the Easington ASEP for the purposes for which it was originally acquired (namely provision of storage services at Rough).

Some Panel Members considered Relevant Objective d) Securing of effective competition, agreeing that implementation would have a negative impact because...

- It creates a precedent of protecting existing contract prices when capacity is moved between ASEPs.

However, Panel Members recognised there are other drivers for this Modification which are broader than the Relevant Objectives and thus they are for the Authority to consider.

A Panel Member noted that any potential precedent may be perceived as being positive (for example for those who hold similar Existing Contracts).

A Panel Member felt that the precedent issue is a neutral point in relation to Relevant Objective d).

Determinations

Panel Members voted with 8 votes in favour (out of a possible 14), to recommend implementation of Modification 0817 (Urgent).

12 Recommendations

Panel Recommendation

Panel Members recommended that Modification 0817 (Urgent) should be implemented.

13 Appended Representations

Representation – Centrica Energy Ltd

Representation - National Grid NTS

Representation - SSE

Representation - Draft Modification Report UNC 0817 (Urgent)

Treatment of Existing Capacity Holding at Easington on creation of the new Rough Storage ASEP

Responses invited by: **12pm on 06 September 2022**

To: enquiries@gasgovernance.co.uk

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

Representative:	Ricky Hill
Organisation:	Centrica Energy Limited
Date of Representation:	5 th September 2022
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive
Relevant Charging Methodology Objective:	Not Applicable

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

As proposers of this modification, we support it. The current anomaly in the rules means that the Existing Entry Capacity held by Centrica at the Easington ASEP could not be used for the purpose it was acquired in any resumption of storage activities at Rough. This must be rectified. If this change to the UNC is not made, the resumption of storage activities at Rough would result in the removal of Centrica's right to use Entry Capacity at the Easington ASEP for the purposes for which it was originally acquired, and the additional cost of acquiring new capacity could feed through to the wholesale price of gas to the detriment of the GB gas market and consumers. It is entirely inappropriate that these additional costs could be placed on the market, purely because of the technical complications arising out of the redesignation of Rough as a Storage Facility for the purposes of the UNC. The Modification will be positive for all consumers, as respecting Centrica's entitlement under its Existing Capacity Holding will enhance security of supply and reduce the cost of both withdrawing gas from the Rough storage facility and the overall cost of balancing the system.

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

We wish to see implementation as soon as possible. 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 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.

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

As noted above and in the draft modification report, 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. This would inflate the overall cost of storage which would filter through to the costs of withdrawing gas, balancing overall the system, and the wholesale gas price more generally.

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

Yes

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.*

No

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

Please refer to the draft modification report for the full analysis

Representation - Draft Modification Report UNC 0817 (Urgent)

Treatment of Existing Capacity Holding at Easington on creation of the new Rough Storage ASEP

Responses invited by: 12pm on 06 September 2022

To: enquiries@gasgovernance.co.uk

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

Representative:	Phil Lucas
Organisation:	National Grid NTS
Date of Representation:	6 th September 2022
Support or oppose implementation?	Comments
Relevant Objective:	a) None d) None
Relevant Charging Methodology Objective:	Not Applicable

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

National Grid NTS ('National Grid') offers comments on this proposal, which due to the Urgent timetable granted by Ofgem have not been possible to raise within a Workgroup discussion. National Grid notes that with the new ASEP set up from 1st September 2022, Entry Capacity can already be procured at Rough Storage ASEP, the Reserve Price for which will be subject to 80% Storage discount under the existing rules (i.e. without implementation of this proposal).

Further, there is an existing process whereby capacity can be surrendered from one ASEP to another. This process would mean that any capacity surrendered to the new ASEP would attract the prevailing (i.e. full) reserve price applicable to the ASEP.

UNC Modification 0817 would establish a bespoke monthly process for a specific Shipper (Centrica Storage Limited ('CSL')) at a specific ASEP (Easington) to specify a proportion of its Existing Contract capacity (Capacity Redesignation amount) that they hold at the Easington ASEP to be treated as being held at the Rough Storage ASEP.

The effect of the proposal would be that any monthly Capacity Redesignation amount (notified in advance) would be treated as if that Entry Capacity was allocated at the Rough Storage ASEP before Tariff Regulation date (06 April 2017) and would therefore benefit from all treatment associated to Existing Contracts (i.e. fixed price and Revenue Recovery Charge (RRC) exemptions). The Capacity Redesignation amount will be taken

into account for the calculation of CSL's Existing Registered Holdings, Existing Available Holdings and Available Capacity amounts at both Easington ASEP and Rough Storage ASEP.

This proposal provides a means by which CSL is able to notify a monthly amount of Entry Capacity to move to the Rough Storage ASEP. Such a quantity can be notified, prior to each month, depending on what level of capacity holdings are needed at the Rough Storage ASEP and the Easington ASEP up until March 2023 at which point the arrangements cease to take effect. We note that this level of flexibility differs to the previous example of existing contract capacity being split between two ASEPs (Modification 0501) which, upon the creation of new ASEPs, provided a one-time only opportunity for all relevant Users to apportion the capacity to each of the new ASEPs.

The proposed arrangements will be a bespoke process limited to one User between two specific ASEPs. Usually Capacity processes/products are available to all Users however a User with equivalent Capacity holdings at Easington would not be able to use the process proposed within Modification 0817 as this proposal is specific to CSL. It is worthy of note that in this case Ofgem's has approved CSL's application for an exemption from negotiated third party access in respect of the Rough Storage Facility until 30th June 2024¹.

As this process would be implemented after prices have been published, any amounts of capacity above, or different to, forecast amounts could impact a subsequent year's prices. Implementation of this proposal will not change Transportation charges in Gas Year starting 1st October 2022.

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

The deadlines for submission of the Capacity Redesignation for each Billing Period are set out below. On this basis (for example), a direction to implement the Proposal is required ahead of 30th September 2022 in order that Capacity Redesignation can be requested in respect of the November 2022 Billing Period

- November 2022 Billing Period – request by 30th September 2022;
- December 2022 Billing Period – request by 31st October 2022;
- January 2023 Billing Period – request by 30th November 2022;
- February 2023 Billing Period – request by 30th December 2022; and
- March 2023 Billing Period – request by 31st January 2023.

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

There will be cost to National Grid of implementing the system fixes to ensure that the capacity values for CSL at the Easington ASEP and Rough Storage ASEP for applicable Existing Contracts are updated and align to the Capacity Redesignation amount. These costs are not expected to exceed £12,500. Actioning these system fixes would need to be undertaken up to and including the March 2023 Billing Period.

¹ See [link](#).

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

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

Note of clarification: the Shipper raising the Modification is Centrica Energy Limited, the wording within the Proposal is “Centrica”, but the intended beneficiary is CSL. This has been clarified with the proposer for the purposes of the Legal Text for Modification 0817.

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

Representation - Draft Modification Report UNC 0817 (Urgent)

Treatment of Existing Capacity Holding at Easington on creation of the new Rough Storage ASEP

Responses invited by: **12pm on 06 September 2022**

To: enquiries@gasgovernance.co.uk

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

Representative:	Jeff Chandler
Organisation:	SSE
Date of Representation:	6/9/22
Support or oppose implementation?	Comments
Relevant Objective:	a) None d) none
Relevant Charging Methodology Objective:	Not Applicable* <i>delete as appropriate</i>

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

The modification states that the reprisal of Rough as a gas storage facility is one the few measures available in the short term to improve the security of supply in the coming Winter. Prior to deciding to recommence storage operations, Centrica Storage Limited has planned for Rough to supply gas over this winter from its recovery of the cushion gas. Therefore, we do not agree that reopening Rough as a storage facility would promote the security of supply in winter 2022/23 relative to the planned alternative of supplying cushion gas.

We note that Ofgem referred to the reopening of Rough gas storage facility as promoting security of supply in winter 2022/23 in their recent decisions to grant urgent status for UNC817 and to grant Centrica Storage Limited an exemption to the acquisition of rights to use storage facilities for Rough, without consultation with interested stakeholders.

Supporting energy security is vital to supporting consumers and delivering net zero so a transparent and consistent approach to assessing security of supply impacts is essential. We encourage Ofgem to work closely with stakeholders to help improve transparency and consistency of security of supply assessments in the future.

We note that recent Q4-Summer spreads have been trading at 80 p/th and are more than adequate to cover existing capacity purchasing costs without this modification.

We also note that Ofgem has previously rejected modifications to allocate capacity at Bacton between beach terminals and storage projects and question if this modification if implemented would set a new precedent?

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

N/A

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

N/A

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

Not reviewed

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.*

N/A

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

N/A