














UNC Modification		At what stage is this document in the process?
<h1>UNC 0738:</h1> <h2>Incremental NTS Entry Capacity Surrender</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 2px; display: flex; align-items: center; justify-content: center;">01 Modification</div> <div style="border: 1px solid #00a651; padding: 2px; display: flex; align-items: center; justify-content: center;">02 Workgroup Report</div> <div style="border: 1px solid #00a651; padding: 2px; display: flex; align-items: center; justify-content: center;">03 Draft Modification Report</div> <div style="border: 1px solid #00a651; padding: 2px; display: flex; align-items: center; justify-content: center;">04 Final Modification Report</div> </div>
<p>Purpose of Modification: To allow incremental NTS entry capacity to be surrendered.</p>		
	<p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> subject to self-governance assessed by a Workgroup <p>This Modification will be presented by the Proposer to the Panel on 15 October 2020. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>	
	<p>High Impact: None</p>	
	<p>Medium Impact: None</p>	
	<p>Low Impact: Shippers</p>	

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Timetable			Systems Provider: Xoserve
The Proposer recommends the following timetable:			
Initial consideration by Workgroup	05 November 2020		 UKLink@xoserve.com
Workgroup Report presented to Panel	19 November 17 December 2020		Other: Insert name
Draft Modification Report issued for consultation	19 November 17 December 2020		 email
Consultation Close-out for representations	10 December 12 January 2020/2021		 telephone
Final Modification Report available for Panel	14 December 15 January 2020/2021		
Modification Panel decision (at short notice)	17 December 21 January 2020/2021		

1 Summary

What

This proposal seeks to allow Users to surrender incremental NTS entry capacity allocated as a result of bids in quarterly system entry capacity auctions in the period from April 2017 to September 2020.

Why

When developing projects that require NTS entry capacity, incremental entry capacity will be released if National Grid's requirements for releasing capacity are met. By meeting these requirements, the principle of user commitment is delivered. Bids for NTS entry capacity assessed in auctions between April 2017 and September 2020 were assessed on the basis of the published reserve prices, and Shippers were able to develop bidding strategies designed to meet the entry capacity release requirements.

Following implementation of Modification 0678A, Amendments to Gas Transmission Charging Regime (Postage Stamp), the prices to be paid for incremental capacity can be materially different to the prices that triggered incremental capacity being allocated, and the resulting user commitment may be materially increased. Bidding strategies may have been materially different if the eventual prices had been known, although still designed to ensure the necessary user commitment was demonstrated.

How

It is proposed that Users are able to apply to National Grid NTS to surrender incremental capacity that was allocated in the period from April 2017 to September 2020. If National Grid NTS accept the application, the User's capacity holdings will be reduced.

2 Governance

Justification for Self-Governance

The value of incremental capacity that would fall within the remit of this modification proposal is not material and hence self-governance is appropriate.

Requested Next Steps

This Modification should:

- be considered a non-material change and subject to self-governance
- be assessed by a Workgroup.

3 Why Change?

Development of projects that require NTS Entry Capacity can be underway at any time. Having assured NTS entry rights is a critical project issue. The routes for acquiring NTS Entry Capacity are well established, notably bidding for incremental entry capacity in QSEC auctions. Incremental capacity will be released if National Grid's requirements for capacity release are met. By meeting these requirements, the principle of user commitment is delivered.

While Modification 0678, Amendments to Gas Transmission Charging Regime, was under consideration, entry related projects were not put on hold. Those requiring entry capacity after April 2017 could see the published

reserve prices and create bidding strategies based on those prices. This was the only possible strategy since any such bids would be assessed by National Grid NTS on the same basis. Following implementation of Modification 0678A, Amendments to Gas Transmission Charging Regime (Postage Stamp), the prices to be paid from 1 October 2020 for incremental capacity released after April 2017 can be materially different to the prices that triggered incremental capacity being allocated, and the resulting user commitment may be materially increased. Bidding strategies may have been materially different if the eventual prices had been known, although still designed to ensure the necessary user commitment was delivered.

A consequence of Modification 0678A being implemented is therefore that some Users will face costs for entry capacity that are well in excess of the indicated user commitment level, and these Users may have bid significantly differently if there had been any way in which the eventual outcome would be known. In essence, the user commitment level has been changed retrospectively, potentially leaving Users facing materially higher charges than could reasonably have been anticipated, and the Proposer would suggest that this retrospective impact appears to be an unintended consequence of Modification 0678A.

4 Code Specific Matters

Reference Documents

None

Knowledge/Skills

None

5 Solution

It is proposed that the UNC be amended to include a provision that Users who have been allocated incremental NTS entry capacity following quarterly system entry capacity auctions held in the period between 1 April 2017 and 30 September 2020 can, within one month of this Modification being implemented, make a single application to National Grid NTS for entry capacity to be surrendered. The application must indicate the amount of capacity for which surrender is being sought, which must be no more than the quantity allocated and must be specified as the reduction in capacity that is being sought each day, and the first gas day on which capacity is to be surrendered across the whole period for which surrender is being sought. The specified first gas day must be the first day in a quarter (i.e. 1 January, 1 April, 1 July or 1 October) and be more than one month after the day on which the application is submitted, and the requested reduction would apply to all days for which capacity had been booked on that and all subsequent gas days. Users would not, therefore, be able to sculpt the surrender but only specify a daily reduction to apply uniformly ~~across a period~~.

It is proposed that National Grid NTS must accept or reject each application to surrender capacity within one month of receiving such application. ~~While it is not proposed to specify the grounds on which that National Grid NTS may accept or reject any application, leaving discretion to take in to account the specific circumstances, it is suggested based on National Grid's interpretation of the following guidance that a key criteria should be that the amount expected to be collected from the relevant User should be no less than the initially anticipated user commitment (i.e. the allocated volume multiplied by the reserve price published at the time).~~

All capacity that was allocated in the relevant auctions of quarterly system entry capacity other than obligated capacity is within scope and may be surrendered.

Only applications that specify a single surrender quantity will be accepted, which must be specified in kilowatt hours per gas day.

Only applications that specify the first day of a quarter as the first surrender day will be accepted, and only if the specified date is more than one month after the application was received by National Grid NTS.

If the requested surrender quantity is greater than the available capacity for any day, capacity holdings should be reduced to zero for that day.

With respect to any application to surrender capacity, National Grid NTS shall calculate:

- A. the value of the full commitment made by that User when incremental capacity was allocated – that is, the relevant QSEC reserve/step price multiplied by the full allocated volume, not just the requested surrender capacity.
- B. the amount that the User is expected to be liable to pay for the same incremental capacity prior to the first day on which surrender is being sought – that is, the latest available capacity price published by National Grid NTS multiplied by the amount of allocated capacity up to the relevant date.

National Grid NTS should only accept an application to surrender capacity if B is greater than A.

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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

None

Cross Code Impacts

None

EU Code Impacts

None

Central Systems Impacts

It is believed that existing capacity reduction provisions in Central Systems will be able to accommodate any reductions in entry capacity holdings.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of	None

(i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	
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

Efficient allocation of NTS entry capacity supports Users paying for the capacity they use, delivering cost reflectivity and so helping to secure effective competition.

8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

9 Legal Text

Text Commentary

While it is expected that National Grid NTS will provide legal text for this Modification and will decide how the proposal is best incorporated within the UNC, as a one-off opportunity to apply for capacity surrender is envisaged, inclusion in the transition document would seem appropriate.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that self-governance procedures should apply
- Refer this proposal to a Workgroup for assessment.

