





UNC Modification		At what stage is this document in the process?
<h1>UNC 0XXX:</h1> <h2>Revenue Recovery at Combined ASEPs.</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #28a745; color: white; padding: 5px; border-radius: 5px;">01 Modification</div> <div style="border: 1px solid #17aebc; padding: 5px; border-radius: 5px;">02 Workgroup Report</div> <div style="border: 1px solid #c39bd3; padding: 5px; border-radius: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid #ffc107; padding: 5px; border-radius: 5px;">04 Final Modification Report</div> </div>
<p>The purpose of this modification is to allow entry capacity booked for the entry gas to the NTS from storage sites within combined ASEPs to be treated the same as a “Storage Site” as designated in National Grid’s Licence with respect to the application of any revenue recovery charge based on capacity bookings.</p>		
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>assessed by a Workgroup</li> </ul> <p>This modification will be presented by the Proposer to the Panel on 21 June 2018 The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>	
	<p>High Impact: Shippers and National Grid NTS</p>	
	<p>Medium Impact: None</p>	
	<p>Low Impact: None</p>	











**Guidance on the use of this Template:**

*Please complete all sections unless specifically marked for the Code Administrator.*

*Green italic text is provided as guidance and should be removed before submission.*

*The Code Administrator is available to help and support the drafting of any modifications, including guidance on completion of this template and the wider modification process. Contact:*

*[modification@regulators.gov.uk](mailto:modification@regulators.gov.uk) or 0191 288 2107*

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<b>Timetable</b>		
<b>The Proposer recommends the following timetable:</b>		<a href="mailto:colin.j.hamilton@nationalgrid.com">colin.j.hamilton@nationalgrid.com</a>
Initial consideration by Workgroup	05 July 2018	 01926653423
Workgroup Report presented to Panel	15 November 2018	Systems Provider: <b>Xoserve</b>
Draft Modification Report issued for consultation	16 November 2018	
Consultation Close-out for representations	24 December 2019	<a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a>
Final Modification Report available for Panel	07 January 2019	Other: <b>Insert name</b>
Modification Panel decision	17 January 2019	
		 <b>email address</b>
		 <b>telephone</b>

## 1 Summary

### What

This modification proposal seeks to align the treatment of historic entry capacity associated with storage points within a combined ASEP to that of points identified as storage points in the Transporter's Licence with respect to any revenue recovery charge based on capacity.

### Why

UNC 0621 and some of its alternates proposes to introduce a capacity-based revenue recovery charge at interconnection points from 1 October 2019 and at all points from 1 October 2021. Any historic capacity at storage sites shall be exempt from this charge. UNC 0501 split the capacity at Bacton ASEP and created two new points: Bacton IP and Bacton UKCS. This resulted in some capacity procured for storage purposes at Bacton being reallocated to Bacton IP. If no action is taken, then all booked capacity at Bacton IP shall attract the capacity-based revenue recovery charge.

### How

Where entry capacity has been identified as procured for storage purposes within an ASEP that is not classified as a storage facility within National Grid's Licence, it is proposed that an adjustment be made to the calculation of a relevant User's Fully Adjusted Available Entry Capacity when calculating any capacity-based revenue recovery charge.

## 2 Governance

### Justification for Self-Governance

Self-Governance procedures are proposed because this Modification seeks to preserve alignment in the treatment of shippers who have procured capacity for entering gas into the NTS from storage sites. This UNC modification introduces a transitional arrangement as any entry capacity impacted by this UNC modification is already existing and it is not foreseen that the situation being addressed here cannot occur in the future due to the PARCA process. If implemented, it is unlikely to have a material impact on the allocation of charges across NTS Network Users.

### Requested Next Steps

This modification should:

- be subject to self-governance

## 3 Why Change?

UNC 0621 proposes the introduction of a capacity-based revenue recovery charge at interconnection points from 1 October 2019 and at all points from 1 October 2021. Any existing capacity at storage sites

shall be exempt from this charge. This shall replace the current flow-based revenue recovery charge. At present, if capacity procured for the purpose of storage is not flowed against then no revenue recovery charge is applied. An issue arises as there are situations where capacity was procured for storage purposes at sites that include other sources of gas and are therefore not classed as storage sites within the Licence. If no action is taken, then all booked capacity at such sites shall attract the capacity-based revenue recovery charge. This creates an asymmetry of treatment between shippers holding capacity at ASEPs listed as storage sites within National Grid's Licence and shippers holding capacity procured for the purpose of operating a storage site within an ASEP not designated as a storage site within the Licence.

The specific cases are capacity booked at Bacton (both IUK and IP) that was bought for storage projects that have now been abandoned. Some capacity bought for the storage project at Bacton may have been reallocated to Bacton IP as part of the methodology used in the Bacton split (UNC 0501).

## 4 Code Specific Matters

### Reference Documents

**Revenue recovery charge based on capacity:**

<https://www.gasgovernance.co.uk/index.php/0621>

**Bacton split:**

<https://www.gasgovernance.co.uk/index.php/0501>

### Knowledge/Skills

An understanding of the proposed changes arising from the Charging Review,

## 5 Solution

Where there is capacity procured for storage purposes within an ASEP, it is proposed that an adjustment is made to the calculation of a relevant User's Fully Adjusted Available Entry Capacity (a parameter currently used for determining overruns) for calculating any capacity-based revenue recovery charge. For the avoidance of doubt, the overrun calculation will not be affected, it is only the Fully Adjusted parameter that may be adjusted when calculating any capacity based revenue recovery charge.

The key challenge here is to identify the capacity quantity within a combined ASEP that is exempt from the revenue recovery charge. This quantity shall be the Applicable Registered NTS Entry Capacity associated with storage.

It is proposed that the identification of such relevant capacity shall be undertaken as a one-off application process.

In this application process Users shall submit a quantity associated with their existing NTS Entry Capacity rights held that were allocated before the Effective Date as referenced in UNC 0621 (or its alternate) and held for each quarter from 1 October 2019 where they wish such quantity to be considered for exclusion from any capacity based revenue recovery charge on the basis that it was procured to ensure entitlement

to deliver gas into the NTS from a storage facility within an ASEP not listed as a storage site within National Grid's Transporter's Licence.

## High level view of the assessment process

1. Within [10] business days of the implementation of this Modification, National Grid NTS will invite all Users who at that time hold Registered Entry Capacity [ *at Bacton IP?*] to indicate what quantity of their Registered Entry Capacity and duration from 1 October 2019 they wish to be assessed as being exempt from any capacity-based revenue recovery charge due to the capacity being associated with an abandoned storage project.
2. The invitation shall state,
  - a. The date within [10] business days invite and means by which Users can signal the required quantities to be assessed for each relevant Quarter.
  - b. The period for which User requests can be sent.
  - c. [Any relevant documentation to support their application (*The nature of such documentation that is considered relevant shall be detailed in the invitation letter.*)]
  - d. The date by which National Grid NTS will provide feedback to Users the result of the assessment.
3. The assessment process shall include comparing the requested quantities for exemption to any relevant Feasibility Study Report performed by National Grid NTS for a storage project that was subsequently shelved.

## Adjustment process to the Fully Adjusted Entry Capacity

Any exemption quantity determined in the agreed process can then be applied to the calculation of the Fully Adjusted entitlement of any relevant shipper. The exempt quantity shall be adjusted for any transfers out of entitlement. This assumes that any capacity entitlement associated with an abandoned storage project shall be transferred before any other capacity held by the shipper.

The algorithm for the User's fully adjusted capacity qualified for revenue recovery shall be:

$$F_{RR} = \max(0, (F_{adj} - \max(0, A - T_{out})))$$

Where,

$F_{RR}$  = User's fully adjusted capacity qualified for revenue recovery

$F_{adj}$  = User's net capacity entitlement (Registered capacity adjusted for transfers in and out)

$A$  = Abandoned Capacity as identified through an application and assessment process

$T_{out}$  = Net transfers out (trades, surrenders, buybacks, options etc..)

## 6 Impacts & Other Considerations

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

N/A

#### Consumer Impacts

This is likely to be immaterial as this proposed modification simply maintains the exemption of shippers at storage sites to any revenue recovery charge.

#### Cross Code Impacts

None identified.

#### EU Code Impacts

None identified.

#### Central Systems Impacts

To be discussed during the development of this modification proposal, but there may be impacts on Gemini.

## 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 (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.	Positive
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.	None
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.	Positive

Impact of the modification on the Relevant Charging Methodology Objectives:	
Relevant Objective	Identified impact
a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	None
aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: (i) no reserve price is applied, or (ii) that reserve price is set at a level - (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and (II) best calculated to promote competition between gas suppliers and between gas shippers;	None
b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	Positive
c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	Positive
d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	None
e) 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.	Positive

*In the case of a modification to a NTS Charging Methodology, please state why the modification does not conflict with:*

- (i) paragraphs 8, 9, 10 and 11 of Standard Condition 4B of the Transporter's Licence; or*
- (ii) paragraphs 2, 2A and 3 of Standard Special Condition A4 of the Transporter's Licence;*

*In the case of a modification to the NTS Connection Charging Methodology, please contact the Joint Office for the appropriate relevant objectives.*

Demonstration of how the Relevant Objectives are furthered:

- b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account developments in the transportation business.

The proposed solution takes into account developments which have taken place in the transportation business, in particular the proposed introduction of discounts for certain classification of capacity introduced by the EU Tariff Code and UNC 0621 where a capacity based revenue recovery charge may be introduced and that historic storage capacity shall be exempt from such a charge.

c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and the proposed solution takes into account developments which have taken place in the transportation business, in particular the introduction of discounts for certain classification of capacity introduced by the EU Tariff Code and the exemption of historic storage capacity from a revenue recovery charge.

e) 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.

## 8 Implementation

No implementation timescales proposed at the moment, these will be discussed within the workgroups

This modification and the resulting methodology change will take effect for prices from October 2019, in order to align the treatment of entry capacity associated with storage at both designated storage sites and combined ASEP entry points that include capacity booked in anticipation of being used at a storage site within the ASEP.

## 9 Legal Text

### Text Commentary

To be provided later

### Text

To be provide later

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Refer this proposal to a Workgroup for assessment.