





UNC Modification	At what stage is this document in the process?
<h1>UNC 0XXX:</h1> <h2>Relief from User Commitment obligations when NTS exit capacity substitution is permitted</h2>	<div style="display: flex; flex-direction: column; align-items: flex-end;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; margin-bottom: 5px;">01 Modification</div> <div style="border: 1px solid #00a651; padding: 5px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 1px solid #00a651; padding: 5px; margin-bottom: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid #00a651; padding: 5px;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>This Modification proposes changes to the User Commitment obligations in TPD Section B to improve the of efficiency NTS Firm Exit Capacity bookings</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 18th October 2018. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact: Transporters</p>
	<p>Medium Impact: Here</p>
	<p>Low Impact: NTS Users, Customers</p>

1 Summary

What

Under the current requirements of TPD Section B any increase to Flat Capacity at any National Transmission System (NTS) Exit Point results in the application of a 4 year user commitment period during which time the new level of capacity has to be booked and paid for at a price set per exit point. It is understood that the NTS exit capacity prices reflect the cost of transporting gas to those exit points and as such that booking at cheaper offtakes would increase the efficiency of the NTS and potentially lower Carbon emissions from reduced use of its compressors. NTS Exit Prices are reset for every gasyear (1st October Y to 1st October Y+1).

In many cases Gas Distribution Networks (GDNs) operate integrated networks within the Local Distribution Zones that can be fed from 2 or more NTS Exit Points and analysis is carried out to optimise the booking of flat capacity from the NTS offtakes. Optimisation can be carried out relative to a number of factors including costs and / or storage.

The current rules around User Commitment mean that moving capacity (which has already met the requirements of any User Commitment at the original point) would then incur User Commitment for an additional 4 years at the new point, despite the fact that capacity is released at the original source for use by other users. This means there is a deterrent against moving capacity to offtakes with lower associated costs for the NTS and this increases the costs for GDN customers.

Why

The current Use Commitment arrangements restrict the ability of GDNs to move capacity in response to NTS pricing signals on an annual basis. This may lead to reduced efficiency on the NTS and higher charges for the GDN and its Users.

How

Arrangements regarding User Commitments relating to NTS Exit Capacity are changed so that capacity can be moved between GDN / LDZ / Users without incurring additional User Commitment where the increased level does not require additional NTS investment. The baseline at the 'donor' point will reduce by the same amount as is moved.

2 Governance

Justification for Authority Direction

This modification should be subject to Authority Direction as it is likely to have a material effect on commercial activities associated with the transmission of gas through pipes (Self Governance criterion bb) and also have a material effect on the operation of one or more pipeline systems (Self Governance criterion cc).

Requested Next Steps

This modification should:

- be assessed by a Workgroup

The benefits of this change can be realised in the 2019/20 planning process if implemented by 1st July 2019; however it would be desirable if it were implemented in advance of this date so the timetable has been set with a view to implementing by 1st June 2019. This timetable will allow four transmission workgroup meetings and submission of a draft modification report to February panel.

3 Why Change?

The current rules around User Commitment mean that moving capacity (which has already met the requirements of any User Commitment at the original point) would then incur User Commitment for an additional 4 years at the new point, despite the fact that capacity is released at the original source for use by other users. This means that even where DN's can revise their operating strategy to take gas from Offtakes with lower NTS costs (more efficient NTS Exit Point) there is a deterrent against moving capacity. This is likely to result in less efficient operation of the NTS and increased costs for DN customers.

Revised arrangements that allow DN's to move capacity between their offtakes without incurring additional User Commitment (where the new levels don't necessitate NTS investment) would improve the process by which DN's can optimise their bookings. This should mean that more bookings are moved away from NTS Exit Points with higher NTS operating costs to NTS Exit Points with lower NTS operating costs, thus increasing the efficiency of operation of the NTS and lowering costs for DN consumers.

4 Code Specific Matters

Reference Documents

Section B:

http://www.gasgovernance.co.uk/sites/default/files/TPD%20Section%20B%20-%20System%20Use%20&%20Capacity_52.pdf

Exit Capacity Release Methodology:

<https://www.nationalgridgas.com/sites/gas/files/documents/Exit%20Capacity%20Release%20Methodology%20Statement%20%28Approved%29%20v12.0-%20Effective%2031%20July%202017.pdf>

Exit Capacity Substitution Methodology

<https://www.nationalgridgas.com/sites/gas/files/documents/Exit%20Capacity%20Substitution%20Methodology%20Statement%20%28Approved%29%20v7.0-%20Effective%2031%20July%202017.pdf>

Knowledge/Skills

Knowledge of NTS processes for exit capacity.

5 Solution

Amend Transportation Principal Document section B to:

Allow DNOs and Users to move capacity between NTS offtakes without incurring additional User Commitment (where the new levels don't necessitate investment in NTS incremental exit capacity).

Amend the base line capacity at the donor offtake so that it falls by the same amount as is moved to the recipient offtake.

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

There will be indirect impacts on consumers on GDN networks as they will benefit from any reduction in the costs of NTS exit capacity.

Cross Code Impacts

None

EU Code Impacts

None

Central Systems Impacts

Impacts to be confirmed but WWU's initial view is that there would be none as the proposed changes would not change the outputs from the planning process which are prices for NTS exit flat capacity. All that would change is the process would now include a process by which capacity could be moved between NTS offtakes in certain circumstances.

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	Positive

(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.	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.	None

Demonstration of how the Relevant Objectives are furthered inserted here.

This proposal furthers relevant objective (b) by encouraging response to price signals from NTS that should result in lower operating costs for NTS and reduced costs for DNOs.

8 Implementation

WWU would like this modification to be implement by 1st July 2019 so that it can be used in the process for setting NTS capacity for 1st October 2019.

For implementation on 1st July 2019 an Authority direction to implement must be made by 29th May 2019

For implementation on 1st June 2019 an Authority direction to implement must be made by 30th April 2019

For Authority direction received after 30th April 2019 implementation would be 1st October 2019.

9 Legal Text

Text Commentary

To be provided

Text

To be provided

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply
- Refer this proposal to a Workgroup for assessment.