





UNC Modification	At what stage is this document in the process?
<h1>UNC 07XX:</h1> <h2>Introduction of Entry Capacity Assignments</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #28a745; color: white; padding: 2px; display: flex; align-items: center; justify-content: center;"> 01 Modification </div> <div style="border: 1px solid #17a2b8; padding: 2px; display: flex; align-items: center; justify-content: center;"> 02 Workgroup Report </div> <div style="border: 1px solid #9c27b0; padding: 2px; display: flex; align-items: center; justify-content: center;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ffc107; padding: 2px; display: flex; align-items: center; justify-content: center;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>To enable network Users to transfer, in full or in part, both the Capacity and associated financial Liability at an ASEP</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> considered a material change and not subject to self-governance assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 21 Jan 2021. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: NTS Users</p>
	<p>Low Impact: None</p>

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Timetable		
The Proposer recommends the following timetable:		
Pre-modification Discussion	03 December 2020 & 07 January 2021	 Any questions?
Modification considered by Panel	21 January 2021	Contact: Joint Office of Gas Transporters
Initial Consideration by Workgroups	04 February 2021 (unless the Modification is assigned to UNC0705 - Capacity Access Review Workgroups rather than Transmission Workgroup)	 enquiries@gasgovernance.co.uk
Workgroup Report presented to Panel	15 April 2021	 0121 288 2107
Draft Modification Report issued for consultation	16 April 2021	Proposer: Daniel Hisgett
Consultation Close-out for representations	28 May 2021	 daniel.hisgett@nationalgrid.com
Final Modification Report available for Panel	04 June 2021	 07971500855
Modification Panel decision	17 June 2021	Transporter: National Grid
		 box.gsoconsultations@nationalgrid.com
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		Systems Provider: Xoserve
		 UKLink@xoserve.com
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		 email address
		 telephone

1 Summary

What

The UNC currently allows for full assignment of Capacity and liability between Users at an Exit Point. This modification proposes to enhance the current Assignment arrangement by providing the ability to assign Capacity at Entry Points both in full and in part. Modification [0751] will run alongside this and proposes to extend the Exit Point Assignments facility from just assignment in full to assignment in part.

Why

Enabling Entry Capacity Assignments gives Users an enhanced level of flexibility when managing their Capacity portfolio. It would

- reduce their administrative burden and risks associated with long-term transfer of capacity to other Users,
- give new entrants an alternative to the short-term auctions and
- enables the benefits and potential discounts associated with holding both the capacity and liability simultaneously.

It also aids in ensuring capacity liability is held by the Shipper licence utilising the capacity, reducing the need to maintain otherwise dormant Shipper licences.

How

Enhancements to Gemini would provide Users with the ability to assign entry capacity and liability rather than just being able to transfer capacity as is currently allowed. Updates to the UNC and the Entry Capacity Transfer and Trade Methodology Statement would be required to facilitate this.

Users would be able to assign Capacity and liability in the auction types in which they were purchased, i.e. monthly or quarterly depending on the make-up of their capacity portfolio. Capacity acquired via Short-term, on the day and day ahead auctions would be excluded from this. Users would be able to assign any volume within that auction purchase, consistent across the period defined, rather than on an all or nothing basis.

2 Governance

Justification for Authority Direction

The changes would not disadvantage any User type more or less than any other, however it will have a material effect on transportation arrangements for Shippers.

Requested Next Steps

This Modification should:

- be considered a material change and not subject to self-governance
- be assessed by a Workgroup

3 Why Change?

Following implementation of UNC0678A and submission of proposals to Ofgem to Manage Inefficient Bypass of the Network, Industry parties approached National Grid with a request to consider enhancing the existing Assignment arrangements.

Currently, Users can book capacity, but where changes in usage mean the capacity level booked is no longer required, either on an enduring basis or for a known period, there are currently two feasible options; trade the capacity to another User but retain the liability for that capacity, or alternatively they could choose to surrender all capacity back to National Grid via a voluntary discontinuance.

The introduction of Assignments provides an alternative option would allow Users to transfer, on a Monthly or Quarterly basis, some or all of their booked capacity to another User, transferring the liability along with the capacity.

The desire for Users to sell subsequently surplus capacity has, (and will), increase with the introduction of the Gas Transmission Charging Reforms. Industry has, in the past, highlighted several issues that this functionality could resolve.

Where Shippers are active but no longer require the capacity booked, third party contracts have to be arranged and maintained to provide for payment arrangements between Shippers for the lifetime of that liability. This leaves the original Shipper with an ongoing administrative burden and makes them exposed to potential risks should the secondary Shipper default on that arrangement.

In some cases of a Shipper exiting the market, it leaves them with otherwise dormant Shipper licences being maintained simply to continue these arrangements and no other purpose.

Managing and shaping capacity levels ahead of time can be achieved currently though the transfer process and these third-party arrangements, but where Users wish to hold both the capacity and liability to retain any associated benefit, they are forced to use the day ahead and on the day markets.

This solution would somewhat mitigate the need to rely on the third-party agreements and reduce dependency on short-term markets, giving Users more certainty on capacity availability.

We believe that this gives Users another tool with which they can better manage their portfolios, and which could also give National Grid more reflective long-term signals compared with the current regime.

Without this change Users will continue to find the best way to manage and profile capacity under the current rules, but we believe this provides them with another option to consider, with unique benefits when compared to long-term transfer of capacity only and short-term volume adjustments. The solution allows Users to only hold appropriate and relevant levels of capacity, retaining the associated liabilities, and ensuring commercial positions are optimised under each Shipper Licence.

4 Code Specific Matters

Reference Documents

Transportation Principle Document: Section B

https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2020-10/4%20TPD%20Section%20B%20-%20System%20Use%20%26%20Capacity_0.pdf

UNC Modification Proposal 0276

<https://www.gasgovernance.co.uk/0276>

The Entry Capacity Transfer and Trade Methodology Statement

<https://www.nationalgrid.com/uk/gas-transmission/document/128021/download>

Exit Capacity Release Methodology Statement

<https://www.nationalgrid.com/uk/gas-transmission/document/128006/download>

EU Tariff Code (Regulation 2017/460)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R0460>

5 Solution

A new paragraph will be entered into Section B of the UNC to provide for the introduction of Entry Capacity Assignments. This would sit under, or alongside the current paragraph 6 which relates to the existing Capacity Assignment arrangements.

1. Implementation would allow Users to select a portion of their Monthly and/or Quarterly booked capacity and transfer both capacity and associated liability to a second User.
2. Users would only be able to assign in the capacity auction periods the capacity was booked in, but will be able to assign any volume, from 1 kWh/day for the full period, up to the full booking.
3. The capacity assignee would pay the published Entry Transmission Services rate applicable to the period being assigned regardless of any existing agreements in place between National Grid Gas with the assignor.
4. The assignee would also pay any Entry Transmission Services Revenue Recovery Charges applicable to the Capacity and for the period of the assignment.
5. This functionality would be available at Beach Terminals, Storage Entry Points and Interconnectors; however, any Bundled Capacity booked at an Interconnector, Capacity which is matched to Capacity available at the adjacent TSO, would be excluded from this arrangement. Unbundled Capacity, as per Section 5.1 clause 7 of the CAM Network Code, can be traded on the secondary market which, under this Modification, would include the ability to be Assigned.

6 Impacts & Other Considerations

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

No, it does not.

Consumer Impacts

No negative impacts should be felt by Users due to this enhancement as no existing functionality is being removed from the Code.

Capacity assignors would benefit from an additional tool which could aid in reduction of the administrative processes currently involved with transfer of capacity while retaining the liability, and a lowering in their credit requirements, reducing the risks associated with booking long term capacity.

Assignees would be able to take direct advantage of any appropriate Entry Transmission Services rate discounts applicable to the Entry Point, for example the Storage discount, due to holding both the capacity and the liability. These discounts could be passed onto end consumers

We do not expect that the potential cost savings for Users would be on a scale great enough to significantly impact on Consumer's bills, but when combined with the improved long-term signals we should see more stable pricing.

Cross Code Impacts

None

EU Code Impacts

No changes are proposed which would impact EU Codes.

We intend to retain the current status quo, with no proposed changes to Section Y or the terms which entered in to force from 01 October 2020 ("Existing Available Holdings" & "Existing Registered Holdings") to define Existing Contracts in the Code. This Modification only enables changes to capacity liability from the direction date. Article 35 of the EU TAR NC specifies 06 April 2017 as the date by which contracts, or capacity bookings must be concluded and so capacity and liability moved under this proposal does not qualify for the price protection which that clause affords.

The exclusion of bundled capacity at Interconnectors avoids any conflict with the CAM Code.

Central Systems Impacts

System enhancements would be required in Gemini to enable this and the corresponding Exit solution, Modification [0751]. We expect there to be a degree of overlap in the solutions, so would request that they be implemented by the same project team. Ideally together, but separation of the two Modifications would allow work to progress should one Modification be approved before a decision has been made on the other. Should implementation of the two proposal diverge, we would expect the initial modification to be the more costly of the two, with the additional requirements of second contributing only smaller, incremental costs to the total.

[A ROM requested in 2010, as part of Modification 0276, suggested a maximum cost of £685k for the proposed Exit solution. Early estimates from Xoserve suggest a system development time of approximately 40-50 weeks and a cost ranging between £1.2m and £1.5m to implement both and Entry and Exit solution simultaneously, though these figures included a significant risk factor as the Modification parameters were not as well defined at

the time of the initial discussion. More up to date and reflective figures would be available following the formal request of a ROM for this specific Modification and its requirements.]

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.	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

The Modification will allow Shippers another option when acquiring or disposing of capacity at an ASEP. We believe it will aid long-term profiling and reduce reliance on the short-term markets which could provide Grid with more reliable long-term booking data, leading to better forecasts in relation to Network Capability & investment needs as well as providing more accuracy & stability in price setting.

Users would have more flexibility and confidence in the management of Quarterly and Monthly Capacity. In particular, it will allow assignor Users the opportunity to assign capacity within relatively short timescales to assignee Users in response to end User customers' needs.

In the event that a customer chooses to assign to another (incoming) NTS User the current rules do not allow the current (outgoing) User to assign its Capacity to the incoming User to meet its and the customer's requirements. Consequently, incoming Shipper Users and their newly acquired customers will need to rely on shorter-term Capacity products, (not guaranteed to be available), or plan years in advance to secure longer-term Capacity.

8 Implementation

From initial discussions with industry, it was hoped that an implementation date of 01 October 2021 could be achieved.

While all efforts are being made to try to realise this date, early discussions with Xoserve suggest that an implementation date during Spring 2022 may be more realistic.

Timescales will be more accurately assessed following receipt of a ROM

9 Legal Text

Legal text will be drawn up by the Transporter at a time when the Modification is sufficiently developed in line with the [Legal Text Guidance Document](#).

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that the modification should not be subject to self-governance and that Authority Direction should apply
- Refer this proposal to a Workgroup for assessment and development.