

## Application for Consent to Modify the Uniform Network Code

### 0728B (Urgent) – Introduction of Conditional Discount for Avoiding Inefficient Bypass of the NTS with 28km distance cap

**Reference:** C059

**Date:** 22 April 2021

#### Proposal:

In recognition of the fact that a significant amount of time has passed since the original drafting of the legal text (circa June / July 2020) in support of Urgent UNC Modifications 0728, 0728A, 0728B, 0728C and 0728D, allied to the impact of other UNC Modifications having already altered the various Uniform Network Code (UNC) Sections in the intervening period, it is requested that the Authority consider approving this Consent to Modify which has been developed to ensure that when the time comes, the legal text for Modification 0728B is amended in such a way as to enable seamless insertion into the relevant UNC Sections.

#### Nature of Modification:

Modification of specific elements of the legal text for UNC Modification 0728B is required as defined below:

#### General

#### Transition Document Part IIC – Transitional Rules

*Insert new paragraph 25.76 as follows:*

#### 25.76 Code Modification 0728B

- 25.76.1 The Implementation Date of Code Modification 0728B shall be 1 October 2020 or such later date (being the first calendar day of a month) as the Authority shall direct when it directs that Code Modification to be made.
- 25.76.2 If the date on which the Authority directs that Code Modification 0728B is made is between 1 October 2020 and 1 September 2021, Section Y2.4.3(iii) (inserted by that Code Modification) shall not apply in respect of any remaining months within the Gas Year commencing 1 October 2020.
- 25.76.3 For the purposes of TPD Section B98 (as introduced by Modification 0728B) a User may make a CNCCD Election:
- (a) no earlier than the date (as notified to Users by National Grid NTS) from which UK Link is modified to implement that Code Modification;
  - (b) which is effective no earlier than the Implementation Date of that Code Modification.

## Transportation Principal Document

### Section B – System Use & Capacity

In TPD Section B2.11.2, insert ", subject to paragraph 98," after "will be determined".

In TPD Section B3.12.3, insert ", subject to paragraph 98," after "will be determined".

Amend New B98 to read as follows:

#### 98 Conditional NTS Capacity Charge Discount

##### 98.1 General

98.1.1 Where a User delivers gas to and offtakes gas from the NTS at (respectively) an Aggregate System Entry Point and NTS System Exit Point for which (in accordance with Section 5 of the NTS Transportation Charging Methodology) the CNCCD Eligibility Criteria are met, the User may elect that the CNCC Discount shall apply in respect of NTS Capacity Charges in respect of such NTS System Points, subject to and in accordance with this paragraph 98 (a "**CNCCD Election**").

98.1.2 For the purposes of this paragraph 98:

- (a) the "**Straight Line Distance**" is the distance between an Aggregate System Entry Point and System Exit Point, determined as the least of the distances, on a straight-line basis, to the nearest 0.1 km, between:
- (i) any of the Individual System Entry Points comprised in the Aggregate System Entry Point (on the basis of 'point of delivery' as provided in TPD Section I3.6.1); and
  - (ii) any of the Individual System Exit Points comprised in the System Exit Point (on the basis of 'point of offtake' as provided in TPD Section J3.7.1), or any point on the curtilage of the premises supplied by the System Exit Point,
- using six-figure grid references determined (for such points) by National Grid NTS which may be revised in accordance with paragraph 98.2.1(b)(ii);
- (b) where a User has made a CNCCD Election, the "**Nominated Entry Point**" and "**Nominated Exit Point**" are the Aggregate System Entry Point and NTS System Exit Point (respectively) for which the User has made such election.

##### 98.2 Procedure

98.2.1 For the purposes of this paragraph 98, and (in relation to a Supply Point) subject to the provisions of TPD Section G:

- (a) a User may give notice to the CDSP of a proposed CNCCD Election, nominating:
- (i) an Eligible Entry Point; and
  - (ii) an Eligible Exit Point (subject to paragraphs 98.2.3 and 98.2.4), being:
    - (1) a NTS Supply Point of which the User is (or will be) Registered User; or

- (2) a NTS Connected System Exit Point of which the User is a CSEP User; or
  - (3) an Interconnection Point in respect of which the User is a User as provided in EID Section A2.4.2(b);
- (b) where a User gives notice of a proposed CNCCD Election:
  - (i) the CDSP shall (within two (2) Supply Point Systems Business Days, except where a referral to National Grid NTS is required as provided in paragraph (v)) respond to the User by notice:
    - (1) specifying the Straight Line Distance between the nominated Eligible Entry Point and Eligible Exit Point, and the six-figure grid references (as referred to in paragraph 98.1.2(a)) from which such distance is determined;
    - (2) stating, on that basis of that Straight Line Distance, whether the CNCCD Eligibility Criteria are met;
    - (3) if so, on that basis of that Straight Line Distance, specifying the amount of the CNCC Discount and the Discounted Applicable Daily Rates (for each point) in accordance with Section 5.4 of the NTS Transportation Charging Methodology;
    - (4) if the CNCCD Eligibility Criteria are not met or the proposed election is otherwise invalid, rejecting the proposed election;
  - (ii) if the User disputes the distance as determined by the CDSP, the User may resubmit its notice including an alternative six-figure grid reference for the Eligible Exit Point, together with supporting evidence, and the CDSP shall respond indicating whether National Grid NTS accepts such alternative and providing the details (revised accordingly) in paragraph 98.2.1(b) above;
  - (iii) following the CDSP's response under paragraph (i) or (ii), and if the CNCCD Eligibility Criteria are met, the User may, by no later than six (6) months after the date of such response, confirm the CNCCD Election by notice to the CDSP specifying the date from which the CNCCD Election is effective which shall be not less than five (5) and not more than thirty (30) Supply Point Systems Business Days after the date of such confirmation;
  - (iv) where, with effect from the start of a new Gas Year starts within the six (6) month period referred to in paragraph (iii) and before the User has confirmed the CNCCD Election, the Discounted Applicable Daily Rates change, the CDSP's response under paragraph (i) shall be deemed amended to provide for such changed rates (and the CDSP will not notify such change to the User prior to the User's confirmation under paragraph (iii));
  - (v) the CDSP will refer to National Grid NTS any dispute under paragraph (ii) and any other case in which the CDSP does not have information necessary for its response under paragraph (i);

- (c) a User may terminate a CNCCD Election by notice to the CDSP specifying the effective date of termination, which shall not be less than five (5) and not more than thirty (30) Supply Point System Business Days; provided that a User shall be deemed to have terminated a CNCCD Election where the Nominated Exit Point is a Supply Point and the User ceases to be the Registered User of the Supply Point;
- (d) notices between a User and the CDSP under this paragraph [98.2.1](#) shall be given:
  - (i) where the Eligible Exit Point is a NTS Supply Point, pursuant to Supply Point Nominations, Supply Point Offers, Supply Point Confirmations and Supply Point Amendments subject to and in accordance with TPD Section G; and
  - (ii) where the Eligible Exit Point is a Connected System Exit Point or an Interconnection Point, by Conventional Notice.

[98.2.2](#) A CNCCD Election shall remain in force until it is terminated under paragraph [98.2.1\(c\)](#); and before the start of each Gas Year the CDSP will give notice to each User which has made (and not given notice of termination of) a CNCCD Election to remind the User that the election will continue in force in the following Gas Year.

[98.2.3](#) Where a CNCCD Election in respect of a given Nominated Exit Point is terminated in accordance with paragraph [98.2.1\(c\)](#) with effect within a Gas Year (Y), the User may not make a further CNCCD Election which is effective within Gas Year Y in respect of that Nominated Exit Point.

[98.2.4](#) A User may not nominate an Eligible Exit Point as Nominated Exit Point under more than one CNCCD Election; but a User may nominate an Eligible Entry Point as Nominated Entry Point under more than one CNCCD Election (each for a different Nominated Exit Point).

### **[98.3](#) Determination of charges payable**

[98.3.1](#) Where a User has made a CNCCD Election, for each Day for which such election is in force, the User shall pay (subject to paragraph [98.3.9](#)):

- (a) NTS Entry Capacity Charges at the Discounted Applicable Daily Rate in respect of the Eligible Entry Amount of Firm NTS Entry Capacity at the Nominated Entry Point;
- (b) NTS Exit Capacity Charges at the Discounted Applicable Daily Rate in respect of the Eligible Exit Amount of Firm NTS Exit (Flat) Capacity at the Nominated Exit Point.

[98.3.2](#) The User shall pay Capacity Charges, at the Applicable Daily Rate without CNCC Discount in respect of:

- (a) the User's Registered Firm NTS Entry Capacity each Day in excess (on the basis in paragraph [98.3.9](#) where applicable) of the Eligible Entry Amount (in aggregate for all of its CNCCD Elections for the Nominated Entry Point);
- (b) the User's Firm NTS Exit Capacity each Day in excess (on the basis in paragraph [98.3.9](#) where applicable) of the Eligible Exit Amount;
- (c) the User's Registered Interruptible NTS Entry Capacity and Interruptible NTS Exit Capacity.

98.3.3 In relation to a CNCCD Election, the “**Eligible Entry Amount**” for a Day is determined as the lesser of:

- (a) the Base Eligible Entry Amount; and
- (b) the amount calculated as:

$$\max \{0, (EEP * (ARC - ERH))\}$$

where

EEP is the Election Entry Proportion

ARC is the aggregate amount of the User's Registered Firm NTS Entry Capacity at the Nominated Entry Point for the Day

ERH is the User's Existing Registered Holding at the Nominated Entry Point.

98.3.4 In relation to a CNCCD Election, the “**Eligible Exit Amount**” for a Day is determined as the lesser of:

- (a) the Base Eligible Exit Amount; and
- (b) the aggregate amount of the User's Registered Firm NTS Exit (Flat) Capacity at the Nominated Exit Point for the Day.

98.3.5 The “**Base Eligible Entry Amount**” ( $BEA_{En}$ ) for the Nominated Entry Point for a CNCCD Election and a Day is calculated as follows:

$$BEA_{En} = \max \{0, (ADQ - (EEP * ERH))\}$$

where for that Day

ADQ is the Applicable Daily Quantity

EEP is the Election Entry Proportion

ERH is the User's Existing Registered Holding at the Nominated Entry Point

98.3.6 The “**Base Eligible Exit Amount**” for the Nominated Exit Point for a Day is the Applicable Daily Quantity.

98.3.7 The “**Applicable Daily Quantity**” (ADQ) for a CNCCD Election and a Day is calculated as:

$$ADQ = \min (Cap_{En}, Cap_{Ex}, DQ_{En}, DQ_{Ex})$$

where for that Day

- (a)  $Cap_{En}$  is the Election Entry Proportion of the User's Fully-Adjusted Available Firm NTS Entry Capacity at the Nominated Entry Point;
- (b)  $Cap_{Ex}$  is the User's Fully-Adjusted Available Firm NTS Exit (Flat) Capacity at the Nominated Exit Point;
- (c)  $DQ_{En}$  is the Election Entry Proportion of the sum of the User's UDQIs for each System Entry Point within the Nominated Entry Point (aggregate UDQI, or “AUDQI”);
- (d)  $DQ_{Ex}$  is the User's UDQO for the Nominated Exit Point.

98.3.8 The “**Election Entry Proportion**” for a CNCCD Election and a Day is:

- (a) subject to paragraph (b), one (1);
- (b) where the User has made more than one CNCCD Election in relation to the same Eligible Entry Point, for the purposes of each such election, the proportion determined as:

$$RQ_{Ex} / \Sigma RQ_{Ex}$$

where

$RQ_{Ex}$  is

- (i) for the purposes of paragraphs [98.3.3\(b\)](#), [98.3.5](#) and [98.3.7\(a\)](#), the User's Fully Adjusted Available Firm NTS Exit Capacity at the Nominated Exit Point;
- (ii) for the purposes of paragraph [98.3.7\(c\)](#), the User's UDQO at the Nominated Exit Point;

$\Sigma$  is the sum over all of the User's CNCCD Elections for the Nominated Entry Point.

[98.3.9](#) Where for a Day the User holds:

- (a) Registered NTS Entry Capacity at the Nominated Entry Point, or
- (b) Registered NTS Exit (Flat) Capacity at the Nominated Exit Point pursuant to more than one allocation of such NTS Capacity (but excluding Existing Registered Holding), and for which the Applicable Daily Rates of the NTS Entry Capacity Charge or (as the case may be) NTS Exit Capacity Charges are different:
  - (i) the Eligible Entry Amount or (as the case may be) Eligible Exit Amount for the purposes of a CNCCD Election shall be deemed to comprise separate tranches of NTS Capacity pursuant to each such allocation, in the proportions of the User's Registered NTS Capacity pursuant to each such allocation;
  - (ii) for the purposes of paragraph [98.3.1](#), the Discounted Applicable Daily Rate shall be determined and shall apply separately in respect of each such tranche.

## Transportation Principal Document

### Section G – Supply Points<sup>1</sup>

In TPD Section [G6.4.2-3.2](#), insert a new paragraph (h) as follows:

"(h) if the Supply Point is an Eligible Exit Point and the User wishes to make a CNCCD Election in respect of such Supply Point, the Nominated Exit Point and the Nominated Entry Point."

Delete TPD Section [G6.4.9\(a\)-3.9\(a\)](#) and replace with the following:

"(a) makes a CNCCD Election (in accordance with paragraph [6.4.2\(h\)-3.2\(g\)](#)) in respect of a Supply Point, and the CDSP does not have available to it the relevant Straight Line Distance, then the CDSP will request such information from the Transporter;"

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<sup>1</sup> Please note that UNC TPD Section G was the subject of a significant realignment and renumbering exercise under the provisions of UNC Modification 0708S 'Re-ordering of the UNC in advance of Faster Switching', which was implemented at 05:00 on 24 July 2020 and which now necessitates the proposed changes identified above.

In TPD Section ~~G6.5.2(l)2.4.2(f)~~, amend to read "paragraph ~~6.4.2(h)2.3.2(g)~~ or ~~6.4.92.3.9(h)~~."

Delete TPD Section ~~G6.5.2(l)(i)2.4.2(f)(i)~~ and replace with the following:

"(i) the relevant Straight Line Distance, the six figure grid references, the capacity of the Proposed Supply Point and the CNCC Discount;"

In TPD Section ~~G6.6.8(b)2.5.8(b)~~, insert a new paragraph (iii) as follows:

"(iii) where the Supply Point Confirmation relates to a CNCCD Election the proposed Supply Point Registration Date shall not be less than 5 nor more than 30 Supply Point Systems Business Days; and"

## Transportation Principal Document

### Section Y – Charging Methodologies

Amend New Y5 to read as follows:

#### 5 CONDITIONAL NTS CAPACITY CHARGE DISCOUNT

##### 5.1 General

5.1.1 A User may elect to pay Capacity Charges at a discounted rate, determined in accordance with this paragraph 5, in respect of certain Registered NTS Capacity at an Entry Point and Exit Point which meet the CNCCD Eligibility Criteria, by CNCCD Election subject to and in accordance with TPD Section ~~B9~~8.

5.1.2 Where a User has made a valid CNCCD Election in respect of an Entry Point and Exit Point:

- (a) a discount factor (the Conditional NTS Capacity Charge Discount, "**CNCC Discount**") shall be determined in accordance with this paragraph 5;
- (b) the "**Discounted Applicable Daily Rate**" of the NTS Capacity Charge payable in respect of such Entry Point or Exit Point is the rate determined (under paragraph 2.1.4 or 2.1.6) as the Applicable Daily Rate, or where applicable determined under paragraph 5.1.4, on the basis that the applicable Reserve Price (as referred to in paragraph 2.1.4 or 2.1.6 or in accordance with paragraph 5.1.4) is discounted by the applicable CNCC Discount as follows:

$$RP = RP' * (1 - CNCCD)$$

where

RP is the discounted Reserve Price to be used to determine the Discounted Applicable Daily Rate;

RP' is the Reserve Price determined in accordance with this Section Y;

CNCCD is the applicable CNCC Discount.

(and for the avoidance of doubt the CNCC Discount does not apply to any Premium).

- 5.1.3 The prices determined under paragraph 5.1.2(b), in pence per kWh/Day, shall be rounded to:
- (a) 6 decimal places (that is, to the nearest 0.000001p) for Intra-System NTS Points; and
  - (b) 10 decimal places (that is, to the nearest 0.0000000001p) for Interconnection Points.
- 5.1.4 In relation to NTS Entry Capacity allocated in an Auction under which the Capacity Charge is determined on the basis of the User's bid price:
- (a) the Applicable Daily Rate shall be treated as divided into:
    - (i) the amount of the applicable Reserve Price, and
    - (ii) any amount of such rate in excess of the applicable Reserve Price (a deemed premium);
  - (b) the Discounted Applicable Daily Rate shall be determined by discounting the applicable Reserve Price in accordance with paragraph 5.1.2(a) and adding back any deemed premium under paragraph (a)(ii).
- 5.1.5 The criteria ("**CNCCD Eligibility Criteria**") for an Entry Point and an Exit Point to be eligible for the CNCC Discount are that:
- (a) the Entry Point is a NTS Aggregate System Entry Point other than a Storage Connection Point (an "**Eligible Entry Point**");
  - (b) the Exit Point is an NTS Exit Point other than a NTS/LDZ Offtake or a Storage Connection Point (an "**Eligible Exit Point**");
  - (c) the Straight Line Distance (determined in accordance with Section B98) between the Entry Point and the Exit Point is not greater than the DCSL Distance; and
  - (d) the amount of the CNCC Discount (determined under this paragraph Y) is greater than zero (0).

## 5.2 DCSL Distance

- 5.2.1 The "**DCSL Distance**" (due cross-subsidy limit distance) (CSL) is 28 kilometers.

## 5.3 Maximum and minimum discount

- 5.3.1 The maximum value ("**Maximum Available Discount**") of the CNCC Discount is 0.9 (zero decimal nine).
- 5.3.2 The minimum value ("**Minimum Available Discount**") of the CNCC Discount is 0.1 (zero decimal one).

## 5.4 Calculation of CNCC Discount

- 5.4.1 Subject to paragraphs 5.4.2 and 5.4.3, the CNCC Discount (CNCCD) for an Entry Point and Exit Point is calculated as follows:



$$CNCCD = \left\{ \left( \frac{1}{e^{\left( \frac{1.6094}{CSL} \right)}} \right)^{SLD} \right\} - (1 - MDA)$$

where

CSL is the DCSL Distance;

SLD is the Straight Line Distance (determined in accordance with TPD Section 1B98) for the Entry Point and Exit Point;

MDA is the Maximum Available Discount.

5.4.2 If the value calculated under paragraph 5.4.1 is less than the Minimum Available Discount, then the CNCC Discount shall be zero (0).

## 5.5 Annual update

5.5.1 National Grid will, not later than 1 August in each Gas Year, give notice to each User which has made a CNCCD Election which is then in force (and is not subject of a notice of termination effective before the end of that Gas Year) of the Discounted Applicable Daily Rates of the NTS Capacity Charges in respect of the relevant Entry Point and Exit Point which will apply in the following Gas Year.

## 5.6 Periodic Review

5.6.1 National Grid NTS will from time to time review, in consultation with Users, the rules for calculating CNCC Discounts under this paragraph 5, including the value of the DSCL Distance; but any modification of such rules may only be made by Code Modification.

## Transporter Application:

This application contains the Transporters' proposal to modify the Uniform Network Code for which they now seek the consent of the Authority.

Signed for and on behalf of the Transporter.

Signature:

Penny Garner

**Chief Executive Joint Office of Gas Transporters**

Date: 23 April 2021

## Gas and Electricity Markets Authority Response:

In accordance with Standard Special Condition A11 'Network Code and the Uniform Network Code' of the Gas Transporters License, I hereby consent to the above modification to the Code.

Signed for and on behalf of the Gas and Electricity Markets Authority.

Signature:

Eleanor Warburton

Deputy Director, Energy Systems Management & Security

Date: 26 April 2021