













UNC Modification	At what stage is this document in the process?
<h1>UNC 0779:</h1> <h2>Introduction of Entry Capacity Assignments</h2>	<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</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 Aggregated System Entry Point (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 19 August 2021. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact:</p> <p>None</p>
	<p>Medium Impact:</p> <p>NTS Users</p>
	<p>Low Impact:</p> <p>None</p>

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Timetable		
The Proposer recommends the following timetable:		 0121 288 2107
Pre-modification Discussion	05 August 2021	Proposer:
Modification considered by Panel	19 August 2021	Daniel Hisgett
Initial Consideration by Workgroup	07 September 2021	National Grid NTS
Workgroup Report presented to Panel	16 December 2022	 daniel.hisgett@nationalgrid.com
Draft Modification Report issued for consultation	17 December 2022	 07971500855
Consultation Close-out for representations	11 January 2022	Transporter:
Final Modification Report available for Panel	13 January 2022	National Grid NTS
Modification Panel decision	20 January 2022	 box.gsoconsultations@nationalgrid.com
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1 Summary

What

The Uniform Network Code (UNC) currently allows for 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.

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 licensee utilising the capacity, reducing the need to maintain otherwise dormant Shipper licences.

How

Enhancements to the National Grid Gemini System 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 European Interconnection Document would be required to facilitate this.

Users would be able to assign Capacity and associated liability in the auction types in which they were purchased, i.e. monthly or quarterly depending on the make-up of their capacity portfolio. Users would be able to assign any volume, in whole kilowatt hours, within that auction purchase, consistent across the period defined, rather than on an all or nothing basis.

For the avoidance of doubt capacity acquired via Short-term, weekly, on the day and day ahead auctions would be excluded from this.

2 Governance

Justification for Authority Direction

The proposed changes create a potential monetary benefit for a small subset of customers, i.e. holders of Existing Contracts who are in a position to maximise their Storage discounts and discounts associated with the Avoidance of Inefficient Bypass of the Network arrangements introduced by UNC0728B, by use of Entry Assignments. The impacts would not disadvantage any User type more or less than any other, however these impacts will have an effect on transportation and contractual arrangements for Shippers and therefore Authority Direction is proposed.

We believe it is also important to highlight that this modification is introducing a new product. The concept of Entry Assignments does not currently exist in the UNC. UNC Modification 0775S – Enhancement of Exit Assignments was viewed as a Self-Governance Modification as it enhanced an existing process and didn't create any new impacts on users.

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 *Modification 0678A - Amendments to Gas Transmission Charging Regime (Postage Stamp)* and submission of proposals to Ofgem to Manage Inefficient Bypass of the Network, Industry parties approached National Grid NTS 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 for a known period, there are currently two feasible options:

1. trade the capacity to another User but retain the liability for that capacity; or
2. choose to surrender all capacity back to National Grid via a voluntary discontinuance.

The proposed introduction of Assignments provides an alternative option which 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 increased 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 licence 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, which gives no long term signals and where Capacity is not always guaranteed to be available,

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.

National Grid believes that this gives Users another tool with which they can better manage their portfolios, and which could also give National Grid NTS 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 National Grid believes 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>

EU Tariff Code (Regulation 2017/460)

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

European Interconnection Document

<https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2021-03/4%20EID%20Section%20B%20-%20Capacity.pdf>

5 Solution

A new paragraph will be entered into the Transportation Principal Document (TPD) Section B of the UNC to provide for the introduction of Entry Capacity Assignments. This would sit within 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
3. Users will be able to assign any volume, from 1 kWh/day for the full period, up to the full booking.
4. 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.
5. The assignee would also pay any Entry Transmission Services Revenue Recovery Charges applicable to the Capacity and for the period of the assignment.
6. This functionality would be available at all Entry Points including Interconnectors, however, any Bundled Capacity booked at an Interconnector (Capacity which is matched to Capacity available at the adjacent Transmission System Operator (TSO)), would be excluded from this arrangement. Unbundled Capacity, as per Section 5.1 clause 7 of the Capacity Allocation Mechanisms (CAM) Network Code, can be traded on the secondary market which, under this Modification, would include the ability to be Assigned.
7. An assignment will not be permitted where it conflicts with any NTS Capacity Transfer already in place and accepted by National Grid NTS.

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 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.

Improved long-term signals industry could see more stable pricing.

Some cost implications have been identified which arise in specific scenarios. Potential Rates were estimated to 2031/32, the remainder of the period for which Existing Contracts are held. Beyond the existing published provisional rates, future periods are based on the final year of RIIO2 Revenues, 2025/26, plus a 2% increase each year, and the current forecasted FCC inputs for the same year, 2025/26.

For each Entry Point a maximum available discount was identified:

80% for Storage Sites

Between 23% & 90% calculated for Entry Points potentially eligible for the short-haul discount

0% elsewhere

Where a Potential Entry Rate for a period was lower than the applicable Existing Contract rate at a point where a discount was available the difference was calculated and multiplied by the available Existing Contract Volume for the period. These values were totalled by period and their potential impact on Rates calculated. These are assumed to be the worst-case revenue under recovery scenarios.

These impacts all arise where Entry Assignments are used in conjunction with Existing Contracts and Short-haul discounts. Currently there are no impacts arising at Storage sites, however these benefits would increase and could also arise at Storage Sites in some scenarios under potential future charging modifications.

The impacts to Users are detailed in the table below. We believe these are significant enough to warrant Authority Direction and will need to be kept under review and assessed in line with future network usage and alongside changes to the Charging Regime.

	Entry TS Reserve Price p/kWh	Revenue Impact	Adjusted Entry TS Reserve Price p/kWh	Rate Impact p/kWh	Rate Impact
2022/23	0.0774	£4,155,793.52	0.0782	0.0008	1.08%
2023/24	0.0678	£19,363,346.74	0.0704	0.0026	3.79%
2024/25	0.0666	£17,100,094.28	0.0693	0.0027	4.05%
2025/26	0.0724	£15,247,177.23	0.0750	0.0026	3.54%
2026/27	0.0619	£15,420,600.00	0.0641	0.0022	3.51%
2027/28	0.0602	£10,223,850.00	0.0616	0.0014	2.28%
2028/29	0.0544	£10,489,500.00	0.0557	0.0013	2.30%
2029/30	0.0474	£9,009,000.00	0.0483	0.0009	1.93%
2030/31	0.0468	£0.00	0.0468	0.0000	0.00%

2031/32	0.0477	£0.00	0.0477	0.0000	0.00%
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Impact of the change on Consumer Benefit Areas:

Area	Identified impact
Improved safety and reliability	None
Lower bills than would otherwise be the case	None
Reduced environmental damage	None
Improved quality of service Enabling the Assignment of Entry Capacity may help to optimise capacity bookings and reduce the costs associated with management of third-party agreements between Shippers. This in turn could lead to savings in cost and administration which may reach end users.	Positive
Benefits for society as a whole	None

Cross Code Impacts

None

EU Code Impacts

No changes are proposed which would impact EU Codes.

National Grid intends to retain the current status quo, with no proposed changes to UNC TPD 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 Tariff Code (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 these changes.

The change would need to be prioritised through the Change Management Committee alongside other changes within Xoserve’s planned Gemini programme.

There will be a lead time of 3 months for startup/sanction/mobilisation which should be considered. There is the potential for this to be shortened subject to the delivery mechanism and availability of resources and interaction with other Modifications inflight.

The high-level estimate to develop and deliver this change is approximately 28 to 30 weeks for Analysis through to Post Implementation Support.

An enduring solution will cost at least £435,000 but probably not more than £560,000 to implement and the change is not expected to increase ongoing running costs.

The estimated timescale and cost range is applicable to both UNC Modification 0779 and the alternate, UNC Modification 0779A.

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 <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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. National Grid believes it will aid long-term profiling and reduce reliance on the short-term markets which could provide National Grid NTS 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. For example, in the event that a consumer chooses

to appoint a new Shipper the current rules do not allow the outgoing Shipper to assign its Capacity to the incoming User to meet the consumer's requirements. Consequently, incoming Shipper Users and their newly acquired customers would need to rely on shorter-term Capacity products or plan years in advance to secure longer-term Capacity. The proposal will provide a potential route to avoid over reliance on short term markets.

8 Implementation

Timescales provided by the ROM suggest a period of 10 months would be required from project set up to implementation.

The proposed date for a Panel decision is 20 January 2022. Applying the proposed timescales to this would suggest mid to late November before implementation, but this does not incorporate Ofgem's decision period.

Based on this, a release date in Spring 2023 would be more realistic.

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.