

UNC Draft Modification Report		At what stage is this document in the process?
<h1>UNC 0701:</h1> <h2>Aligning Capacity booking under the UNC and arrangements set out in relevant NExAs</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> 01 Modification </div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> 02 Workgroup Report </div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>To improve visibility where a consumer has entered into a bi-lateral Network Exit Agreement (NExA) with the relevant Transporter, and to link capacity increases with the NExA so that the allowed capacity does not exceed the capacity as agreed in the NExA.</p>		
	<p>This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this modification.</p> <p>The close-out date for responses is 15 May 2020, which should be sent to enquiries@gasgovernance.co.uk. A response template, which you may wish to use, is at: https://www.gasgovernance.co.uk/0701.</p> <p>The Panel will consider the responses and agree whether or not this modification should be made.</p>	
	<p>High Impact:</p> <p>Transporters, Shippers and Consumers</p>	
	<p>Medium Impact:</p>	
	<p>Low Impact:</p>	

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Timetable		Transporter: Northern Gas Networks
Modification timetable:		 Tracey Saunders trsaunders@northern-gas.co.uk
Initial consideration by Workgroup	22 August 2019	
Workgroup Report presented to Panel	16 April 2020	 07580 215743
Draft Modification Report issued for consultation	16 April 2020	
Consultation Close-out for representations	15 May 2020	Systems Provider: Xoserve
Final Modification Report available for Panel	18 May 2020	 UKLink@xoserve.com
Modification Panel decision	21 May 2020 (<i>at short notice</i>)	

1 Summary

What

There is no process to ensure that the daily capacity allowed in a NExA (which is a contract between the site operator and the Transporter) and that allowed by the UNC (which is contract between the Relevant Shipper and the relevant Transporter) are aligned. This can result in discrepancies where Provisional Maximum Supply Point Capacity (PMSOQ) can ratchet above the value the consumer is allowed to use under a NExA.

For information, key differences between this proposal and proposal 0696 (Addressing inequities between Capacity booking under the UNC and arrangements set out in relevant NExAs) are:

- 1) It contains no retrospective element.
- 2) Visibility of the existence of a NExA will be introduced into industry central systems
- 3) Where a NExA exists and states maximum daily capacity, the Supply Point Capacity is to be capped in line with this, with the effect that PMSOQ is not increased above the NExA value. Where there is no maximum daily capacity, this will be calculated as 24 times the Supply Point Offtake Rate (SHQ)
- 4) It includes all Supply Points on DN networks with solutions for both Daily Metered (Class 1 and 2) supply points, and non-daily metered (Class 3 and 4) supply points

Why

This change will ensure that System capacity is consistent with that allowed by the NExA where one is in place. Where a NExA is not in place then the current processes will apply.

How

It is proposed that capacity deemed or requested under the UNC cannot exceed that allowed by the NExA, without a referral to the Network.

This process would apply, post faster switching, to both CSS and non-CSS DN connected Supply Points.

2 Governance

Justification for Authority Direction

As the proposal has a material impact on the Transportation arrangements for Shippers and relevant consumers, it should, we believe, be subject to **Authority Direction**.

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?

Issue

There is no process to ensure that the Supply Point Capacity (Often referred to as “SOQ”) and Supply Point Offtake Rate (often referred to as “SHQ”) allowed in a NExA (which is a contract between the site operator and the Transporter) and that allowed by the UNC (which is contract between the Relevant Shipper and the relevant Transporter) are aligned. This can result in discrepancies where the Shipper books more capacity on the System than the customer is allowed to use in accordance with the NExA. Conversely, the Supply Point Ratchet process may allow Shippers to ratchet up Supply Point Capacity to greater than that allowed by the NExA.

The potential existence of NExAs is well known in the industry however the existence of NExAs are not flagged in central systems so the specific existence of one is not instantly visible when using central systems interfaces (e.g. Data Enquiry Service (DES)). Where previously NExAs were predominantly used for very large sites or sites mandated in UNC they are now increasingly used for smaller but intermittent or unpredictable within-day consumption sites, for example power generation plants, some of which may be Class 3 or 4 Supply Points. This lack of transparency throughout the life of the NExA is what we are wanting to address.

4 Code Specific Matters

Reference Documents

Link to: [UNC TPD Section G](#)

Link to: [UNC TPD Section J](#)

The relevant extract from a sample Northern Gas Networks Site Specific NExA is attached. This is provided with the caveat that there are multiple types of NExAs and these, and the content, can differ between DNs, and is therefore attached for general information purposes only.

Network Exit Agreement (NExA) – Extract relating to issues raised in this Proposal

PART 1 - GENERAL

1. APPLICATION OF SECTION J4 AND J5

1.1 Sections J4 and J5 shall apply as applicable in respect of the Supply Meter Point on the basis that references to:

- (I) Supply Point Network Exit Provisions or Network Exit Agreement;
- (II) a Supply Meter Point (including a NExA Supply Meter Point);
- (III) the consumer;
- (IV) the Prevailing Offtake Rate;
- (V) the Registered User or Sharing Registered Users

shall be construed respectively as references to:

- (VI) this Agreement;
- (VII) the Supply Meter Point;
- (VIII) the Operator;
- (IX) the maximum permitted aggregate rate of offtake specified in Annex A paragraph 1.1 of Part II.
- (X) the Relevant Shippers jointly.

2. RATE OF OFFTAKE

References in this Annex to rates of offtake of gas are to the instantaneous rate (expressed in kWh's) of offtake of gas from the System at the Supply Meter Point.

5 Solution

It is proposed that any new or change in requested daily capacity or hourly flow for Supply Meter Points, (excluding NTS Supply Points), requested under the UNC should not exceed the value stated in the NExA, nor should the PMSOQ exceed the value stated in the NExA. Where a site ratchets then the DM Supply Point Capacity cannot ratchet above that listed in a NExA should one exist.

In line with existing code TPD G 5.5.3 any application for increase in Capacity that exceeds the PMSOQ will create a Supply Point Nomination referral to the relevant Transporter.

For Class 1 and 2 Supply Points: Any requests for new or change in requested System capacity made by the Shipper shall not, where a relevant NExA exists, exceed either the DM Supply Point Capacity (SOQ) or the Supply Point Offtake Rate ("SHQ") set out in the NEXA. Where there is only an SHQ value in the NEXA the SOQ value will be taken as a calculation of 24 times the SHQ value quoted in the NEXA.

6 Impacts & Other Considerations

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

None

Consumer Impacts

Impacts consumers who are party to NExA arrangements and wish to amend their capacity requirements.

Cross Code Impacts

It was confirmed at the Workgroup that there were no known impacts on other Codes.

EU Code Impacts

None

Central Systems Impacts

To support the implementation of this Proposal, a ROM Request has been provided by the CDSP which sets out the key requirements that require systemisation and the associated implementation costs & timeline.

The full ROM document can be found here: [Change Reference Number: 5094](#)

For all site Classes, the CDSP would need to enhance the existing DES information and provide additional functionality to assist with the management and processing of capacity and offtake rate changes at NExA sites:

The following high-level requirements have been assessed as part of the system changes required to implement the proposal:

1. Enhance what is currently held in UK Link against NExA sites to include:
 - a. NExA SOQ
 - b. NExA SHQ

- c. Maintain a history of NExA effective to and from date (inclusive of future dates)
2. Conduct a data migration for every NExA site to add the additional NExA information to UK Link (and subsequently DES). For every NExA site, we will be required to check that the current PMSOQ is lower than or equal to the NExA SOQ value and correct the PMSOQ for any NExA sites which have a greater PMSOQ than the provided NExA SOQ value. To correct it, we must set the PMSOQ at the NExA SOQ.
3. New or enhanced screen to load and update the new NExA information in UK Link. Please note this screen will be for internal use only and the update will be made by Xoserve internal business users
4. Enhance what is currently displayed in DES against the Network Exit Agreement Indicator. Adding new values to DES; NExA SOQ, NExA SHQ and the NExA effective to and from date. These data items would need be populated where the NExA flag in DES is Y and should be fed from the information we hold in UK Link against the NExA site.
5. The PMSOQ for Class 1 and 2 sites will not be able to exceed the Supply Point Capacity (SOQ) quoted in the NExA. The PMSOQ should be capped at the NExA SOQ, (it should not be able to increase above the NExA SOQ)
6. For Class 1 and 2 sites, any requests to change existing System capacity made by the Shipper shall not, where a relevant NExA exists, exceed the DM Supply Point Capacity (SOQ) and the Supply Point Offtake Rate (SHQ) set out in the NExA.
 - a. For any Product Class which has a valid NExA in place (which is recorded in UK Link) and where a Shipper requests a change to existing Capacity, this must always be subject to the Supply Point Nomination referral and sent to the relevant Transporter
The only validation on a Nomination will be checking if there is a NExA in place and referring it to the relevant Transporter

Analysis suggests this automatic referral for any site which has a NExA is current system logic.

- b. Where the Transporter approves the Capacity request at Nomination referral, when the Nomination is Confirmed by the Shipper (can be up to 6 months from the Nomination acceptance), the CDSP must validate the date in the Confirmation for the Capacity request against the NExA information to accept or reject. If the effective of the Confirmation is not within the effective date set out within the NExA, the Confirmation will be rejected
7. For a Class 1 and 2 Supply Points the System Capacity shall not ratchet above the daily offtake rate set out in the NExA.
 - a. If a site with a relevant NExA ratchets above the NExA SOQ, the booked SOQ should not increase to the ratcheted value (above the NExA SOQ) but the ratchet charge should still be applied.

Analysis suggests that this is current system logic, such that if requirement 5 is met and the PMSOQ can never exceed the NExA SOQ.

8. For Class 3 and 4 Supply Points: Create a process by which the relevant Transporter is notified of any SOQ changes as part of Rolling AQ which come within a defined % of the SOQ set out in the NExA.

- a. Changes required to DDP Dashboards for DNs to include the additional NExA fields
- b. Prompt functionality in Birst tool required to send emails to relevant Transporters to notify them of Class 3 and 4 sites which come under this criterion

Note: This requirement does not require assessment by the Minor Enhancements Team as it will be delivered by the Data Office.

While discussing these requirements during the Workgroup, it was suggested that a point of clarification be added to explain that the functioning of the ratchet mechanism, and the application of ratchet charging rules would be unaffected by implementation of this proposal.

Additionally, there would need to be a one-off exercise to clear all existing NExA flags in the system and to load all details above for all existing NExAs, as advised by the Transporters.

Rough Order of Magnitude (ROM) Assessment

The following cost statements have been extracted from ROM: [Change Reference Number: 5094](#)

- An enduring solution for the UK Link changes will cost at least **£66,000**, but probably not more than **£115,500** to implement.
- In relation to the DDP change specifically, (requirement 8), an enduring solution will cost at least **£18,000** but probably not more than **£35,000** to implement.
- Note, the DDP cost is **not included** in the UK Link cost.

Workgroup Impact Assessment

The Workgroup has met seven times to refine the proposed rules and text to give effect to 3 principal aspects of the interaction of NExAs and the prevailing business rules in the UNC. These factors can be summarised as follows:

1. to provide increased visibility of the existence of NExA Supply Points and the associated offtake parameters by populating the NExA flag in DES and ensuring the corresponding data fields are complete and accurate,
2. to establish the maximum capacity in the NExA as maximum bookable under the provisions of the UNC: and,
3. where a capacity increase is triggered under the provisions of the UNC, and the associated NExA has a future dated capacity increase included in a NExA, to ensure that any capacity increases are limited by date & quantity to the values set-out in the NExA.

There was a consensus in the Workgroup that in these specific areas of the UNC would benefit from additional clarity, in terms of the primacy of NExA conditions over general conditions set out in the UNC, and improved information flows resulting from the DES changes would add clarity for Users and consumers alike.

Given there have been instances where Shippers have experienced issues in relation to the interaction of offtake arrangements, where a NExA has constrained offtake parameters, and the UNC has permitted these values to be exceeded, tying system capacity and NExA values together was generally viewed as a positive measure.

In terms of discussion points, the principle item of debate related to establishing a Maximum Supply Point Capacity, (SOQ), for NExA Supply Points where only an offtake rate, (OR), is specified. The rule to establish the SOQ based on 24 x OR gave rise to some concern from some participants that the derivation was over simplified and not fully reflective of the Supply Point' s offtake characteristics. The

rule has been incorporated into the legal text. It was noted that a way to avoid the application of “24 x OR” rule would be to ensure that NExAs, have as a matter of course, specify a Maximum Supply Point Capacity set out in relevant NExA.

In an early version of the proposal, Class 3 & Class 4 Supply Points were treated as special cases where the AQ would be capped at a value linked to the offtake rate set-out in the relevant NExA. After Workgroup discussion it was agreed that the link between AQ and offtake rate was too tenuous, and the associated business rule was withdrawn.

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.	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.	Positive
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

Ensuring that where a NExA exists is linked to capacity increases will protect the integrity of each Transporter’s pipeline, aiding in preventing sites from booking system capacity over the level stated in the NExA,

The Workgroup are of the view that this modification would further both Relevant Objectives a) and c) in this respect. We are not specifically referring to one specific Licence obligation as the economical and efficient operation of the pipeline, is a principle throughout the Licence

The Workgroup also believe this modification would positively impact Relevant Objective f), by giving visibility where a NExA exists thereby enhancing the requirements relating to NExAs under UNC TPD Section J.

8 Implementation

To deliver this proposal effectively, both UK-LINK, (to assist with the processing of requested changes to offtake parameters), and DES, (to assist with the visibility of information relating to NExA Supply Points,) would need to be modified. Such that they are required, amendments to DES screens would be authorised through Data Services Contract Change Management Committee governance.

The timeline for implementing these changes and systemising the requirements specified in the ROM is approximately 20 weeks, although it should also be noted that implementation would need to be included in a “major” UK-Link release. In parallel, the modification to Data Discovery Platform would require 11 weeks of development.

Consequently, it is proposed that should an Authority Direction to implement be received within a reasonable timescale, it is possible that this proposal could be implemented as part of an early major release in 2021, (based on the current view of change horizon), which would tie into the period when capacity and offtake rates are most relevant to the operation of the network,

It should also be noted that the data currently held on UK-Link in relation to NExA Supply Points would need to be ascertained and cleansed through a coordinated activity, undertaken by transporters to validate offtake parameters. For clarity, it was pointed out that such data, including the existence of a NExA arrangement at a Supply point would be accessed and be visible through DES.

However, it is proposed that this data cleansing activity, could be undertaken in advance of the period required for Authority Decision and systems modification, as to do so would be a ‘no regrets’ activity. As such the network related data improvement activities are not a constraining factor in terms of implementation.

9 Legal Text

Legal drafting note: This legal text in this report has been provided by Northern Gas Networks and has been specifically written to accommodate the solution set out this proposal,

While the issues addressed herein are similar to those in Modification Proposal 0696V, the legal text for each of these related proposals is specific to its respective solution and, accordingly, the text in the two reports should be assessed individually.

The Workgroup has considered the legal text as part of the production of this report and is satisfied that it meets the intent of the Solution.

Text Commentary

The proposed amendments to TPD B and G expand the following existing definitions to include where a DM Supply Point has a Network Exit Agreement (NExA) in place:

- Ratchetted Supply Point Capacity (Ratchetted SOQ),
- Maximum Supply Point Capacity (Max SOQ),
- Maximum Supply Point Offtake Rate (Max SHQ) and
- Provisional Maximum SOQ (PMSOQ)

The amendments shall also ensure appropriate restrictions are in place so that a site's SOQ or SHQ cannot increase above the maximum value stated in the NExA.

Specifics

Addition to Section B 4.7.3 to add that where a NExA exists the increased amount of capacity will be the lesser of the sum of the User's DM Registered Supply Point Capacity on the Day of the Supply Point Ratchet and the Capacity Ratchet Amount, and the maximum daily rate of offtake specified in the NExA. This will cap any PMSOQ increase due to ratchets at the value set in the NExA. Also, addition to G5.5.5 for the CDSP to notify the Transporter and Registered User in the above instances.

Addition to section G 5.4.1 and 5.4.2 to state that a User's Supply Point Capacity, where a NExA exists shall be no greater than the maximum daily rate stated in the NExA, and to clarify this does not affect NTS supply points.

Addition to section G 5.5.1 clarifying that the Maximum Supply Point Capacity is, where a NExA exists, either the maximum daily rate specified in the NExA, or where a daily rate is not specified, 24 times the maximum hourly rate specified.

Addition to section G 5.5.2 clarifying that the Provisional Maximum Supply Point Capacity is, where a NExA exists, either the maximum daily rate specified in the NExA, or where a daily rate is not specified, 24 times the maximum hourly rate specified.

Legal Text

TRANSPORTATION PRINCIPAL DOCUMENT

SECTION B – SUPPLY POINT CAPACITY

Amend paragraph 4.7.3 to read as follows:

- 4.7.3 Subject to Section G5.5.5, the increased amount (the "**Ratcheted Supply Point Capacity**") of the User's DM Registered Supply Point Capacity shall be;
- (a) the sum of the User's DM Registered Supply Point Capacity on the Day of the Supply Point Ratchet and the Capacity Ratchet Amount;
 - (b) where the Supply Point at which the Supply Point Ratchet occurred comprises a NExA Supply Meter Point, the lesser of:
 - (i) the sum of the User's DM Registered Supply Point Capacity on the Day of the Supply Point Ratchet and the Capacity Ratchet Amount; and
 - (ii) where the sum of the User's DM Registered Supply Point Capacity on the Day of the Supply Point Ratchet and the Capacity Ratchet Amount would exceed any maximum daily rate of offtake specified in the NExA, any maximum daily rate of offtake specified in the NExA.

SECTION G – SUPPLY POINTS

Amend paragraphs 5.4.1 and 5.4.2 to read as follows:

5.4 Absolute requirement

5.4.1 A User's Supply Point Capacity shall be;

- (a) in respect of a DM Supply Point no greater than 24 times, or less than 4 times, the Supply Point Offtake Rate;

- (b) in respect of a DM Supply Point which comprises a NExA Supply Meter Point no greater than any maximum daily rate of offtake specified in the NExA ;
- (c) in the case of an NTS Supply Point equal to 24 times the Supply Point Offtake Rate.

5.4.2 The CDSP will reject any Supply Point Nomination in respect of a Proposed Supply Point which is a DM Supply Point where the Nominated Supply Point Capacity and the Supply Point Offtake Rate are not in compliance with paragraph 5.4.1.

Amend paragraphs 5.5.1 and 5.5.2 to read as follows:

5.5 Other requirements

5.5.1 For the purposes of Section G, in respect of a DM Supply Point:

- (a) the "**Maximum Supply Point Capacity**" is:
 - (i) except where paragraph (a)(ii) applies, the quantity which (where it is necessary to do so under this Section G) the Transporter determines to be the maximum quantity which it is feasible to make available for offtake in a 24 hour period at the DM Supply Point;
 - (ii) which comprises a NExA Supply Meter Point,
 - (1) any maximum daily rate of offtake specified in the Network Exit Agreement; or
 - (2) where not specified in the Network Exit Agreement, 24 times the any maximum hourly rate of offtake specified in the Network Exit Agreement;
- (b) the "**Maximum Supply Point Offtake Rate**" is:
 - (i) except where paragraph (b)(ii) applies, the instantaneous rate of offtake (in kWh/hour) which (where it is necessary to do so under this Section G) the Transporter determines to be the maximum instantaneous rate at which it is feasible to make available for offtake at the DM Supply Point; and
 - (ii) which comprises a NExA Supply Meter Point, any maximum rate of offtake specified in the Network Exit Agreement;

in each case consistently with the requirements of paragraph 5.4.

5.5.2 The "**Provisional Maximum Supply Point Capacity**" is respect of a DM Supply Point (other than a Proposed Supply Point which comprises a New Supply Meter Point and a NTS Supply Point) is whichever is the lesser of:

- (a) 2 times the Prevailing Supply Point Capacity;
- (b) 16 times the Supply Point Offtake Rate or (in the case of a Proposed Supply Point) the Nominated Supply Point Offtake Rate; and
- (c) where the DM Supply Point comprises a NExA Supply Meter Point, any maximum daily rate of offtake specified in the NExA.

5.5.5 Where, following the occurrence of a Supply Point Ratchet in relation to a DM Supply Point, the sum of the Capacity Ratchet Amount and the User's Registered Supply Point Capacity

would exceed the Provisional Maximum Supply Point Capacity the CDSP will inform the Transporter:

- (a) with effect from the following Day, and until the Transporter has assessed whether it is feasible to make available gas for offtake (in a 24 hour period) in the amount of such sum, the Ratcheted Supply Point Capacity shall be equal to the Provisional Maximum Supply Point Capacity;
 - (b) with effect from the time at which the Transporter has assessed such feasibility and notified the CDSP, the Ratcheted Supply Point Capacity shall be equal to the lesser of:
 - (i) the Maximum Supply Point Capacity; and
 - (ii) the sum of the User's Registered Supply Point Capacity (immediately before the Supply Point Ratchet) and the Capacity Ratchet Amount; and
 - (iii) where a Network Exit Agreement exists, any maximum daily rate of offtake specified in the NExA.
- and
- (c) the CDSP will inform the Registered User of the Ratcheted Supply Point Capacity determined under paragraph (b) as soon as reasonably practicable after such feasibility was assessed by the Transporter and notified to the CDSP.

10 Recommendations

Panel's Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this modification.