

## Representation - Draft Modification Report UNC 0752

### Introduction of Weekly Entry Capacity Auction

**Responses invited by: 5pm on 11 May 2021**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Jennifer Randall
<b>Organisation:</b>	National Grid NTS
<b>Date of Representation:</b>	11 May 2021
<b>Support or oppose implementation?</b>	Support
<b>Relevant Objective:</b>	<p>a) Positive</p> <p>d) Positive</p>

#### **Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

Introduction of a weekly Entry product provides Users with increased flexibility to purchase NTS Entry Capacity and allows capacity bookings to match anticipated flows more efficiently. Therefore, we believe this modification furthers Relevant Objective a) efficient and economic operation of the pipeline system.

This modification also furthers Relevant Objective d) securing effective competition as it allows those Users with a flexible flow pattern more opportunity to effectively align their capacity bookings with their anticipated flows and therefore compete with other Users at entry points where there is a flatter source of supply. This has a positive impact on competition.

#### **Implementation: What lead-time do you wish to see prior to implementation and why?**

There are significant system changes required to implement this modification as well as other considerations related to publication of prices;

- Implementation of system changes, estimated in the ROM as 25-27 weeks plus a 3-month lead time for start-up/sanction/mobilisation, would mean this modification would not be implemented, and the Weekly auction not available to use, before circa January 2022. This is on the basis that Panel classifies the modification as self-governance. This also does not include 5 weeks of post implementation support which is included in the overall timescale but is applicable once the system changes have gone live.

- Due to this timeline, implementation of the legal text into the UNC needs to be considered. We see that there are two options;
  1. upon decision to implement the modification (or following the 16 days appeals window if the modification is classified as self-governance by the Panel). In this situation the legal text would appear in the UNC but the physical ability to use the product would not be available until the system solution is implemented; or,
  2. upon implementation of the system changes. In this situation the legal text would appear in the UNC when the auction is physically available to use in the system, removing the period of having an unusable section of code.
- Related to the implementation of the legal text, publication of the reserve price for the new weekly product also needs to be considered:

UNC TPD Section Y paragraph 1.3.2(j) states “...*Charges Publication Date is 1 August in the preceding Gas Year, or such other date as National Grid may, with Condition A11(18) Approval of the Authority, decide*”. Therefore, the reserve price could be published,

1. by 1 August if a decision to implement this modification is made prior to the end of July; or,
2. on or after 1 August with Ofgem approval in accordance with the Gas Transporter Licence Special Condition A11(18) if;
  - i. a decision to implement this modification is made on or after 1 August; or,
  - ii. the decision to implement is made prior to end of July but it is decided to implement the legal text into the UNC concurrently with completing the implementation of the system changes as outlined in point 2 above. The reserve price cannot be published without the legal text being present in UNC.

Considering these points, should this modification be approved, National Grid NTS proposes implementation should follow these steps:

1. Following decision, a Notice of Implementation shall be issued which states the implementation date as “to be determined”.
2. In the next Code update as close to the decision date as is operationally possible, a footnote would be added to the impacted sections of the UNC text that identifies the future implementation of the modification which would amend that section.
3. Once a firm date for implementation of the system changes is identified, a further Notice of Implementation shall be issued confirming this as also being the date at which the legal text is implemented in the UNC.
4. Concurrently to the legal text being implemented into the UNC, the reserve price for the Weekly auction shall be published with Ofgem approval.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

National Grid NTS will be subject to the costs of system implementation as outlined in the ROM, which are expected to be in the range of £335,000 to £415,000 to implement.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

National Grid NTS are satisfied that the legal text delivers the intent of the Solution.

However, an assumption was required in the legal text around the time by which National Grid NTS will inform Users of their capacity bids which have been accepted and the amount of Weekly NTS Entry Capacity which that User is registered as holding pursuant to each accepted capacity bid as the Solution in the modification was silent on this. This is a period which is defined for all other auctions within the UNC and so it was deemed necessary to also specifically define this period for the Weekly auction. This timescale was assumed to be on or before D-8, ahead of the daily auction commencing on D-7.

**Modification Panel Members have requested that the following questions are addressed:**

*Q1. Do you consider this Modification to be suitable for self-governance procedures?*

Yes, National Grid NTS believe this Modification is suitable for self-governance. The Modification will not result in increased costs for consumers, it does not have material impact on competition, and it does not significantly increase complexity in the regime.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

As mentioned, the Solution section omitted the time in which National Grid NTS will inform Users of their capacity bids which have been accepted and the amount of Weekly NTS Entry Capacity which that User is registered as holding pursuant to each accepted capacity bid.

**Please provide below any additional analysis or information to support your representation**

Over gas years 2018/19, 2019/20 and 2020/21 (to date), less than 1% of total Entry capacity sold in those years was purchased as monthly capacity.

As per the Entry Capacity Release methodology statement, National Grid NTS may withhold daily capacity from sale at an ASEP if a capacity constraint is foreseen.

National Grid NTS withholds daily capacity very rarely, and when it is withheld, often it can subsequently be released later in the gas day.

When planning long-term maintenance activities, National Grid NTS considers previous capacity bookings made and communicates with relevant Users to understand expected flows to attempt to ensure any maintenance activities do not cause capacity constraints. Following this, if maintenance activities still result in flows stemming from capacity bookings exceeding the capability of the network, then National Grid NTS may take constraint management actions to resolve and the User will be compensated for this.