UNC Workgroup Report	At what stage is this document in the process?
# UNC 0759S: ## Enhancements to NTS Within-Day Firm Entry and Exit Capacity Allocations	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification:

This Modification seeks to enhance the existing schedule of allocations for within-day NTS Firm Capacity products to allow Users greater access and flexibility to purchase NTS Capacity.

	The Workgroup recommends that this modification should be subject to self-governance and should proceed to consultation. The Panel will consider this Workgroup Report on 20 May 2021. The Panel will consider the recommendations and determine the appropriate next steps.
	High Impact: None
	Medium Impact: All NTS Users, NTS
	Low Impact: None

Contents

1 Summary 3
2 Governance 4
3 Why Change? 4
4 Code Specific Matters 4
5 Solution 5
6 Impacts & Other Considerations 6
7 Relevant Objectives 9
8 Implementation 10
9 Legal Text 10
10 Recommendations 11

Timetable

Modification timetable:

Initial consideration by Workgroup	01 April 2011
Workgroup Report presented to Panel	20 May 2021
Draft Modification Report issued for consultation	21 May 2021
Consultation Close-out for representations	11 June 2021
Final Modification Report available for Panel	15 June 2021
Modification Panel decision	17 June 2021 *(to be considered at short notice)*

Any questions?

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1 Summary

What

The Capacity regime incentivises Users to align their Capacity bookings to flows. Discussions within Workgroup 705R have highlighted that the current Exit within-day Firm product can hinder this alignment as it only allocates Capacity 5 times throughout the Gas Day at 08:00, 14:00, 18:00, 22:00 and 01:00.

Since the implementation of UNC Modification 0678A "Amendments to Gas Transmission Charging Regime" on 1st October 2020 which resulted in an increase to Capacity reserve prices and the removal of the zero priced Capacity, the incentive to align Capacity to flow has increased.

Currently, the last allocation for both NTS Entry and Exit Capacity is at 01:00 in the Gas Day. This prevents Users being able to secure Capacity in the final 4 hours of the Gas Day. This is further hampered by the closure of the bid window at 00:00 for NTS Exit Capacity and 01:00 for NTS Entry Capacity.

Users currently have no formal timescales of when they are to be notified of their NTS Exit Capacity allocation which can create uncertainty.

Why

NTS directly connected customers expressed the need to have more frequent NTS Exit Capacity allocations as this would allow them greater flexibility to react to market conditions. For example, gas fired power generation is increasingly acting as a back-up to renewable electricity generation. Accessing NTS Exit Capacity in a more responsive manner is fundamental when conditions for renewable generation change (i.e. the wind stops blowing). The limited number of NTS Exit Capacity allocations currently available in the within-day NTS Exit product does not provide frequent enough opportunity for NTS Exit Capacity to be secured by NTS customers.

The ability to request the Capacity later in the Gas Day will enable Users to better match their Capacity bookings with their flows at the time when there can be a significant degree of activity. To maximise the benefit of the later allocation the bid invitation window requires extending to enable Users to submit bids closer to allocation.

Lastly, this proposal is introducing the concept of a Capacity Allocation Period for Exit. Currently the NTS obligation to allocate Capacity within specific period exists on Entry only (UNC section B2.4.15 (c)). Introduction of similar NTS commitment on Exit will give Users more assurance that the Capacity booked will be allocated within a specific timeframe.

How

This Modification proposal seeks to amend the schedule of allocations for NTS Entry and Exit within-day Firm Capacity in the following ways;

1. introduce hourly allocations for NTS Exit Capacity;
2. allow additional NTS Entry and Exit Capacity allocation at 02:00;
3. extend the NTS Entry and Exit Capacity bid invitation windows up until the time of the last allocation;
4. introduce a 30-minute Capacity Allocation Period for NTS Exit Capacity.

2 Governance

Justification for Self-Governance

This Modification seeks to make enhancements to the current NTS Entry and Exit within-day Capacity products. The changes proposed do not include amendment to the volume of Capacity offered or the Capacity prices, therefore this proposal does not have a material impact on competition or the commercial arrangements between Transporters and Users and therefore meets the Self-Governance criteria.

Requested Next Steps

This Modification should:

- be considered a non-material change and subject to Self-Governance.
- be assessed by a Workgroup for a period of 3 months.

3 Why Change?

The main driver behind the Modification is to enable all Users to better align their Capacity bookings with their flows. Since 1st October 2020 implementation of Modification 0678A "Amendments to the Gas Transmission Charging Regime" utilisation of Firm Capacity has approximately doubled (from 30-40% to 60-70%). More customers seek to purchase Capacity efficiently and therefore avoid unnecessary costs i.e. avoid booking Capacity which they will not flow against. The current 5 Exit allocations within the Gas Day provide limited opportunity to procure additional Capacity. It is therefore desirable for the daily product to allocate more frequently. This will reduce the risk of over-purchasing NTS Exit Capacity (and therefore reduce the costs) and sterilising NTS Exit Capacity. Furthermore, the change will reduce the risk of overrunning by providing an opportunity to fine-tune NTS Exit Capacity bookings. Over or under purchasing of Capacity can result in increased costs to end consumers.

National Grid NTS currently has the ability under UNC to elect ad-hoc within-day Capacity allocations and have done so for NTS Exit Capacity on one occasion since 1st October 2020 where there was a number of bids awaiting allocation. However, with this being an ad-hoc process it does not provide certainty to Users that this additional allocation will take place.

The proposed changes introduce an additional Capacity allocation at 02:00 and extend the bid invitation window up until this time for both NTS Entry and Exit Capacity, enabling Users to secure Capacity later in the Gas Day.

There is currently no UNC rule stating within what timeframe NTS Exit within-day Capacity must be allocated to Users. Introduction of the 30 minutes Capacity Allocation rule will give Users more certainty over the Capacity allocation process and will enable better planning of their physical flows.

4 Code Specific Matters

Reference Documents

UNC TPD Section B

5 Solution

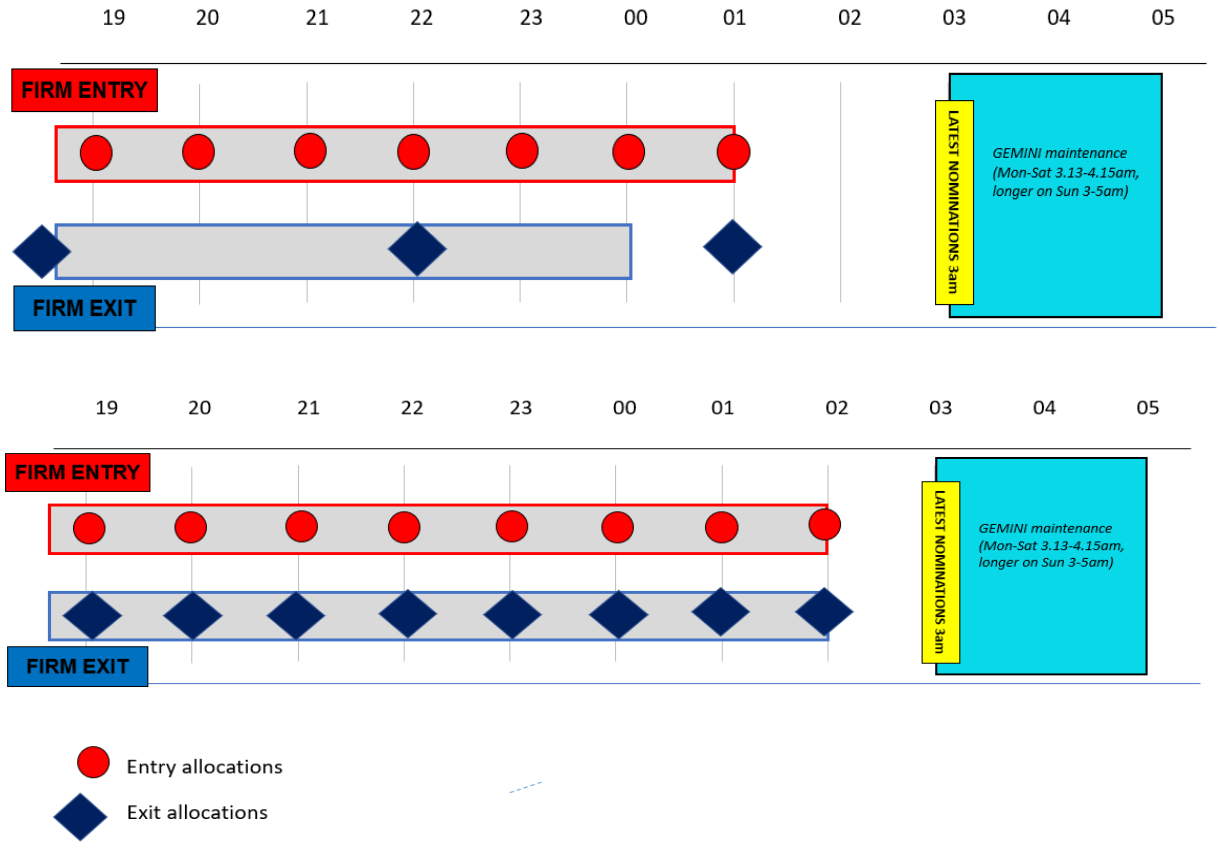
The solution can be distilled into 4 parts:

1. enable within-day hourly allocations for NTS Exit Firm Capacity from 06:00 until 02:00;
2. allow additional NTS Entry with-day Capacity allocation at 02:00;
3. extend both the NTS Entry and Exit within-day Capacity bid invitation windows up until 02:00;
4. introduce a 30-minute Capacity Allocation Period for NTS Exit Capacity.

The table below sets out current rules around daily products and the proposed solutions.

		Current product	**Proposed UNC change**
Entry (WDDSEC)	Allocations	Hourly	No change
	Last allocation	01:00	02:00
	Capacity invitation window end	01:00	02:00
	Capacity Allocation Period	15min	No change
Exit (WDDNEX)	Allocations	08:00, 14:00, 18:00, 22:00, 01:00	Hourly allocations
	Last allocation	01:00	02:00
	Capacity invitation window end	00:00	02:00
	Capacity Allocation Period	N/A	30min

The above is demonstrated by the following chart with the end of the day focus for clarity:



For avoidance of any doubt, this proposal is not seeking to amend start times for NTS Capacity invitation windows within the NTS Entry/Exit Capacity auctions. Furthermore, the changes proposed are not intended to be applicable to interconnection points.

6 Impacts & Other Considerations

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

No SCR or other significant change project will be required as an outcome of this proposal.

Consumer Impacts

Proposer's view:

> Implementation of this Modification is likely to reduce the cost of NTS utilisation by enabling Users to book Capacity more effectively.

Workgroup Participant's view:

> This is captured in table 1 below.

Table 1: Consumer Impact Assessment Table

Consumer Impact Assessment *(Workgroup assessment of proposer initial view or subsequent information)*	
Criteria	**Extent of Impact**
Which Consumer groups are affected?	Primarily • Mainly Large non-domestic Consumers • Non-domestic Consumers • Electricity consumers
What costs or benefits will pass through to them?	Some Workgroup Participants believed that implementation of this Modification will improve access to capacity during the operational hours required and thus the system change costs shown above are likely to being about improvements to the processes for Shippers. Implementation of this Modification will enable Shippers to book capacity which better reflects their actual usage thus it makes the processes more cost efficient, allowing potential savings to be passed through to the customer and eventually the consumer. Reducing the costs of generating because capacity can be matched more closely to generation will mean such items as penalty changes can be avoided. Reduced charges should result in more efficient or cost effective bids into the electricity market, which ultimately could benefit electricity consumers. Materiality of these cost savings is difficult to quantify but could be reasonably significant since without this Modification, overbooking of capacity or overrun charges are difficult to avoid.
When will these costs/benefits impact upon consumers?	Upon implementation.
Are there any other Consumer Impacts?	None identified
General Market Assumptions as at December 2016 *(to underpin the Costs analysis)*	
Number of Domestic consumers	*21 million*
Number of non-domestic consumers <73,200 kWh/annum	*500,000*
Number of consumers between 73,200 and 732,000 kWh/annum	*250,000*
Number of very large consumers >732,000 kWh/annum	*26,000*

Cross Code Impacts

None identified.

EU Code Impacts

None identified.

Central Systems Impacts

Proposer's view:

> Gemini system change has been initially identified by Xoserve (estimate cost: £98-135K, 12 weeks delivery time). This covered addition of 02:00 allocation period on NTS Entry and Exit, extension to the bid window up until the last allocation and introduction of hourly allocations on NTS Exit.
>
> National Grid believes that the introduction of hourly NTS Exit allocations warrants a review of Gemini functionality in relation to within-day Firm bid processing. It is deemed essential to automate some of the processes and make them more efficient.

Rough Order of Magnitude (ROM) Assessment *(Cost estimate from CDSP)*

ROM (XRN5278) was published on 28/04/2021 here: https://www.gasgovernance.co.uk/0759

Cost estimate:

Option A

An enduring solution will cost at least £95,000, but probably not more than £130,000 to implement.

Option B

An enduring solution will cost at least £110,000, but probably not more than £145,000 to implement.

Option C

An enduring solution will cost at least £115,000, but probably not more than £150,000 to implement.

Option D

An enduring solution will cost at least £110,000, but probably not more than £145,000 to implement.

Option E

An enduring solution will cost at least £110,000, but probably not more than £145,000 to implement.

Timeline:

Option A

The high-level estimate to develop and deliver this change is approximately 10 to 12 weeks for Analysis through to Post Implementation Support.

Option B

The high-level estimate to develop and deliver this change is approximately 12 to 14 weeks for Analysis through to Post Implementation Support.

Option C

The high-level estimate to develop and deliver this change is approximately 12 to 14 weeks for Analysis through to Post Implementation Support.

Option D

The high-level estimate to develop and deliver this change is approximately 12 to 14 weeks for Analysis through to Post Implementation Support.

Option E

The high-level estimate to develop and deliver this change is approximately 12 to 14 weeks for Analysis through to Post Implementation Support.

ROM Update

On 06 May 2021 National Grid and the CDSP confirmed that a revised ROM would be forthcoming and that the appropriate timescale for this Modification would be 16-18 weeks and a cost range of £200,000-250,000.

Workgroup Participant's view:

> Some Workgroup Participants believed that implementation of this Modification will improve access to capacity during the operational hours required and thus the system change costs shown above are likely to being about improvements to the processes for Shippers.
>
> Implementation of this Modification will enable Shippers to book capacity which better reflects their actual usage thus it makes the processes more cost efficient allowing potential savings to be passed through to the customer and eventually the consumer.

Workgroup Impact Assessment

Workgroup Participants discussed the Panel question:

- Consider Consumer benefits of this Modification

Workgroup Participants discussed this question and the results are captured in Table 1 above, under Consumer Impacts.

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	Positive

arrangements with other relevant gas transporters) and relevant shippers.	
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

Proposer's view

This proposal better facilitates the following Relevant Objectives:

a) the introduction of hourly allocation windows for NTS Firm Exit Capacity and an additional allocation window for both NTS Firm Entry and Exit Capacity at 02:00 will provide Users with more opportunity to efficiently purchase Capacity that better reflects their anticipated gas flows leading to more efficient operation of the system.

d) additional allocation windows for the procurement of NTS Capacity provides Users with greater opportunity to match NTS Capacity bookings to intended flow. This has the effect of reducing User risk of acquiring unwanted NTS Capacity leading to more being available for other Users, conversely, reducing the risk of under-booking Capacity and exposure to overruns. Any reduction in costs to Users will additionally facilitate competition and it may potentially reduce the cost to consumers.

Workgroup Participant's view

Workgroup Participants noted that the Modification is applicable to Entry and Exit and therefore the benefits would be seen at both Entry and Exit.

Workgroup Participants agreed with the views of the Proposer above in regards to the Relevant Objectives a) and d).

8 Implementation

As Self-Governance procedures are proposed implementation could be as soon as sixteen business days following a Modification Panel decision to implement, subject to no appeal being raised. However, this may not be possible due to system impacts and therefore no implementation timescales are proposed at this stage. Potential implementation timescales will be clearer once an updated ROM capturing required Gemini changes to within-day bid processing is received.

9 Legal Text

Legal Text has been provided by National Grid and is published alongside this report here: https://www.gasgovernance.co.uk/0759

The Workgroup considered the Legal Text on 06 May 2021 and is satisfied that it meets the intent of the Solution.

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- This Self-Governance Modification should proceed to consultation.