

UNC 0818:

Releasing of unused capacity under a specific set of circumstances



Proposer: Tracey Saunders, Northern Gas Networks

Panel Date: 15th September 2022

Why change?



In some instances, capacity is booked but is never utilised in subsequent years of supply. Where there is limited capacity available on the same part of the system this can cause an issue for other Shippers and end consumers. This can potentially include:

- Denied capacity increases
- Denied new connections
- New and/or existing Sites having to pay for cost of reinforcement works
- Cost of Network having to pay reinforcement works (which is included in DN charging, and therefore potentially recovered from all end consumers).

Options



- **Supply Point Offtake Rate (SPOR) Review Process (aka 390 process) TPD UNC TPD Annex B-3 11**
 - This relies on Shipper and Site negotiations to result in Site requesting a reduction in booked capacity
 - where this is unsuccessful then capacity remains limited/unavailable for other Sites/Shippers
- **Releasing of unused capacity under a specific set of circumstances (This modification proposal)**
 - Reduction of capacity charges for Site that is holding excess capacity
 - Increased competition due to capacity being made available to other shippers in areas where limited/none was available
 - Reduction of potential costs to Site (reduction in need for specific reinforcement)
 - Reduction in potential costs to end consumers (reduction in need for network reinforcement)

Solution: Eligibility criteria



- Reduce Capacity for sites meeting **ALL** of the following criteria:
 1. Site must be Class 1 (daily metered).
 2. Site must be directly connected to DN network (ie not NTS or CSEP).
 3. Site must not have previously paid for reinforcement.
 4. Site must NOT be on an area of network where capacity is freely available (subject to 1 in 20 conditions).
 5. History of usage must show that site has consistently under used capacity for a minimum of 3 years. *(This will increase to take into account exceptional circumstance (e.g., Covid))*

Identified sites would be reduced to 150% of peak SHQ capacity offtake as identified over site history analysis above *(SOQ will be calculated as SHQx16 unless otherwise stated)*.

Solution: Information to shippers



- The new SHQ & SOQ that the capacity is to be reduced to, which cannot be less than [150%] of the highest the single highest offtake rate (in kWh/day) recorded at the DM Supply point over the past [3] years. The SOQ will be calculated as SHQ x 16 unless otherwise stated,
- The existing SHQ & SOQ currently held by the Registered User (the “Existing Supply Point Offtake Rate”),
- the single highest hourly offtake rate (in kWh/hour) recorded at the supply point over the past 3 years,
- The Meter Point Reference Number,
- the address details; and
- any further information relating to the DM Supply Point Component that the DN considers would assist the Registered User

Solution: Timings



- **1 day prior to Month 1:** The Transporter provides information for identified site to relevant shipper
- **Month 1 & 2:** Appeal process, this is where the Shipper can provide any relevant information they have (including from the site) in relation to plans for the capacity to be utilised at a point within the next 3 or less years. This can include an alternate capacity reduction figure if the appeal evidence warrants it.
- **Month 3:** DN to consider appeal and confirm outcome to Shipper. (Any Sites successfully appealed back to their current SOQ & SHQ values would be removed from the process and not progressed further)
- **Month 4:** Shipper to notify site of final outcome.
- **Month 4 + 1 day:** Shipper to reduce capacity (SOQ & SHQ) to DN confirmed value
- **Month 5:** Backstop date, CDSP to reduce capacity in event that shipper has not yet done so.

Ratchet 'soft Landing' period to apply

Recommended Steps



- The Proposer recommends that this modification should be:
 - Authority Direction:
 - As this modification could have a material impact on efficient use of network and/or end consumer funds in relation to provision of available capacity.
 - This modification also only looks at Class 1 sites, so is introducing a different treatment of a specific Class.
 - Send for workgroup assessment for 4 months to develop the modification.