

UNC Modification	At what stage is this document in the process?
<h1 data-bbox="134 322 655 412">UNC 0823:</h1> <h2 data-bbox="129 450 1182 663">Amendment to the Allocation of Entry Capacity and Flow Quantities to Qualifying CNCCD Routes</h2>	<div data-bbox="1209 309 1468 627"> <div data-bbox="1209 309 1468 383">01 Modification</div> <div data-bbox="1209 394 1468 468">02 Workgroup Report</div> <div data-bbox="1209 479 1468 553">03 Draft Modification Report</div> <div data-bbox="1209 564 1468 638">04 Final Modification Report</div> </div>
<p data-bbox="129 707 507 745">Purpose of Modification:</p> <p data-bbox="129 772 1469 949">This Modification seeks to amend the apportionment of Entry Capacity and Entry Flow between multiple Conditional NTS Capacity Charge Discount qualifying routes that share an Entry Point, so that both are based on the minimum of the Exit Capacity and the Exit Flow at the Exit Point of each route.</p>	
<p data-bbox="129 996 308 1034">Next Steps:</p> <p data-bbox="129 1050 979 1088">The Proposer recommends that this Modification should be:</p> <ul data-bbox="153 1106 600 1189" style="list-style-type: none"> • subject to Self-Governance • assessed by a Workgroup <p data-bbox="129 1205 1469 1279">This Modification will be presented by the Proposer to the Panel on 15 September 2022. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>	
<p data-bbox="129 1337 399 1375">Impacted Parties:</p> <p data-bbox="129 1391 293 1429">High: None</p> <p data-bbox="129 1444 336 1482">Low: Shippers</p>	
<p data-bbox="129 1523 389 1561">Impacted Codes:</p> <p data-bbox="129 1585 209 1624">None</p>	

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Timetable		
Modification timetable:		
Pre-Modification Discussed	01 September 2022	
Date Modification Raised	05 September 2022	
New Modification to be considered by Panel	15 September 2022	
First Workgroup Meeting	06 October 2022	
Workgroup Report to be presented to Panel	15 December 2022	
Draft Modification Report issued for consultation	15 December 2022	
Consultation Close-out for representations	10 January 2023	
Final Modification Report available for Panel	11 January 2023	
Modification Panel decision	19 January 2023	

 Any questions?

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1 Summary

What

In order to be eligible for Conditional NTS Capacity Charge Discount (CNCCD) on qualifying nominated routes, Users must have bought the Entry Capacity and the Exit Capacity and must flow gas along that route. Where a User has two or more nominated CNCCD (shorthaul) discount routes which share an Entry Point, the User's Entry Capacity holding, and Entry Flows are apportioned to each route. The apportionments are then used to calculate the quantities that are eligible for the CNCCD discount on each route separately: the allocation of Entry Capacity is based on the proportions of the User's Exit Capacity at each Exit Point and the Entry Flow is allocated based on the flows at each Exit Point.

This proposal is to amend this apportionment calculation so that both the Entry Capacity holdings and Entry flows are both allocated in the same proportions which should be determined as the minimum of either the Exit Capacity holding or the Exit flow, whichever is lower, for each of the Exit points.

Why

The ratio of Exit Capacity holdings for each route is not a good representation of how the Entry Capacity is actually used because it does not consider where the gas actually flows. This means unused Exit Capacity on one route attracts an apportionment of Entry Capacity which is sometimes not used or needed for gas flows on that route. This reduces the Entry Capacity allocated to other routes where it is actually being used and is needed, artificially restricting the quantities eligible for CNCCD.

The current arrangements do not reflect the operation, costs and benefits of access to and use of a pipeline that is owned and operated by the User, which is the intent of the current CNCCD arrangements: to avoid inefficient bypass of the NTS.

The impact of this defect is that Users with multiple routes sharing an Entry Point cannot access the CNCCD arrangements as intended and it disincentivises them from booking Exit Capacity for these routes until the very last opportunity to reduce the risk of losing eligibility to CNCCD.

How

This proposal is to amend the apportionment calculation in UNC (Uniform Network Code) TPD B9.3.8 so that both Entry Capacity (CapEn) and Entry Flow (DQEn) is allocated based on the minimum of both Exit Capacity and Exit Flow at each of the Exit points of each registered route.

2 Governance

Justification for Self-Governance

This Modification would better facilitate CNCCD discount arrangements to avoid inefficient bypass of the NTS for CNCCD qualifying routes that share Entry Points with other qualifying routes. The proposer believes that the current apportionment calculation does not reflect the way in which Entry Capacity is utilised because it does not consider actual gas flows, and that the implications of the current calculation was an oversight at the time of implementation of UNC Modification 728B - Introduction of Conditional Discount for Avoiding Inefficient Bypass of the NTS with 28km distance cap. The proposer believes this amendment better delivers the intent of UNC728B.

The Proposer believes the current defect affects a minority of CNCCD qualifying routes. The proposed arrangements would redistribute a relatively small amount of Entry and Exit Capacity charges that become eligible for the CNCCD discount across all Users.

The modification:

(i) is unlikely to have a material effect on:

(aa) existing or future gas consumers; and

(bb) competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and

(cc) the operation of one or more pipe-line system(s); and

(dd) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and

(ee) the uniform network code governance procedures or the network code modification procedures; and

(ii) is unlikely to discriminate between different classes of parties to the uniform network code/relevant gas transporters, gas shippers or DN operators.

Requested Next Steps

This Modification should:

- be considered a non-material change and subject to Self-Governance.
- be assessed by a Workgroup.

3 Why Change?

The objective of CNCCD is to ensure that capacity charges for transporting gas over short distances (which is relatively expensive with postage stamp charging arrangements) are lower than the cost to Users of constructing their own NTS bypass pipelines.

A User with a bypass pipeline would be able to determine Entry into and flow across that pipeline, whereas the allocation arrangements for shared Entry Points do this by calculation. The Proposer believes that this calculation should be amended so that the proportions allocated to each route better reflects the Entry Capacity requirements and Flow along each route.

The ratio of Exit Capacity holdings for each route is not a good representation of how the Entry Capacity is actually used because it does not consider where the gas actually flows. Under the current apportionment arrangements, unused Exit Capacity on one route, if not matched by unused Entry Capacity, attracts an apportionment of Entry Capacity which is not used or needed on that route and away from other routes where it is actually being used. This artificially restricts the quantities eligible for CNCCD.

The current allocation calculation is believed to be incorrect because it does not reflect how the Entry Capacity is used in practice i.e., where the gas actually flows. This means that the current arrangements do not reflect the operation, costs and benefits of access to and use of a pipeline that is owned and operated by the User, which is the intent of the current CNCCD arrangements.

The impact of this defect is that Users with multiple routes sharing an Entry Point cannot access the CNCCD arrangements as intended and it disincentivises them from booking Exit Capacity for these routes until the very last opportunity in order to reduce their risk of losing eligibility for CNCCD.

4 Code Specific Matters

Reference Documents

Current CNCCD arrangements were introduced with modification UNC728
<https://www.gasgovernance.co.uk/0728>

Transportation Principal 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

5 Solution

The proposal is to modify the Entry apportionment calculation to use the minimum of Exit Capacity and Gas Flow at the Exit point of each registered route. This will mean that each route becomes self-contained in that it cannot be adversely impacted by the existence of unused exit capacity on another route registered against the same Entry point.

Business Rules proposed for UNC Modification 0728B (Urgent) - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS

37. Where a User specifies a single Entry Point as the relevant Entry Point for more than one route (i.e. in respect of more than one Exit Point):

37.1. the Entry Capacity (CAPE_n) for the relevant route will be equal to the User's Entry Capacity at the ASEP pro-rated on the basis of the Exit Capacity quantity as a proportion of the aggregate of the Exit Capacity quantities (for which the Entry Point is the relevant Entry Point for the nominated routes);

37.2. the quantity of Entry Capacity procured via an Existing Contract (ECE_n) for the relevant route will be the equal to the User's Entry Capacity procured via an Existing Contract at the ASEP pro-rated on the basis of the Exit Capacity quantity as a proportion of the aggregate of the Exit Capacity quantities (for which the Entry Point is the relevant Entry Point for the nominated routes); and

37.3. the Entry Allocation (AE_n) for the relevant route will be the equal to the User's Entry Allocation at the ASEP pro-rated on the basis of the Exit Allocation quantity as a proportion of the aggregate of the Exit Allocation quantities (for which the Entry Point is the relevant Entry Point for the nominated routes).

37.4. the Apportionment Quantity (AQ_n) for the relevant route will be the equal to the User's Apportionment Quantity pro-rated on the basis of the Exit Capacity quantity as a proportion of the aggregate of the Exit Capacity quantities (for which the Entry Point is the relevant Entry Point for the nominated routes);

Potential Amended Wording to Business Rules

37. Where a User specifies a single Entry Point as the relevant Entry Point for more than one route (i.e. in respect of more than one Exit Point):

37.1. the Entry Capacity (CAPE_n) for the relevant route will be equal to the User's Entry Capacity at the ASEP pro-rated on the basis of the **Minimum** of Exit Capacity quantity **and Exit Allocation Quantity** as a proportion of the aggregate of the **minimum** of the Exit Capacity quantities **and Exit Allocation Quantity per route** (for which the Entry Point is the relevant Entry Point for the nominated routes);

37.2. the quantity of Entry Capacity procured via an Existing Contract (ECE_n) for the relevant route will be the equal to the User's Entry Capacity procured via an Existing Contract at the ASEP pro-rated on

the basis of the **Minimum of Exit Capacity quantity and Exit Allocation Quantity** as a proportion of the aggregate of the **minimum of the Exit Capacity quantities and Exit Allocation Quantity per route** (for which the Entry Point is the relevant Entry Point for the nominated routes); and

37.3. the Entry Allocation (AEn) for the relevant route will be the equal to the User's Entry Allocation at the ASEP pro-rated on the basis of the **Minimum of Exit Capacity quantity and Exit Allocation quantity** as a proportion of the aggregate of the **minimum of the Exit Capacity quantities and Exit Allocation quantities** (for which the Entry Point is the relevant Entry Point for the nominated routes).

37.4. the Apportionment Quantity (AQEn) for the relevant route will be the equal to the User's Apportionment Quantity pro-rated on the basis of **the Minimum of Exit Capacity quantity and Exit Allocation quantity** as a proportion of the aggregate of **the minimum of the Exit Capacity quantities and Exit Allocation quantities** (for which the Entry Point is the relevant Entry Point for the nominated routes);

Current UNC Legal Text

Section UNC TPD B9.3.8 would require amendment to reflect proposed business rules. The current legal text, for reference, is as follows:

9.3.8 The "Election Entry Proportion" for a CNCCD Election and a Day is:

(a) subject to paragraph (b), one (1);

(b) where the User has made more than one CNCCD Election in relation to the same Eligible Entry Point, for the purposes of each such election, the proportion determined as:

$RQEx / \Sigma RQEx$

where

RQEx is

(i) for the purposes of paragraphs 9.3.3(b), 9.3.5 and 9.3.7(a), the User's Fully Adjusted Available Firm NTS Exit Capacity at the Nominated Exit Point;

(ii) for the purposes of paragraph 9.3.7(c), the User's UDQO at the Nominated Exit Point;

Σ is the sum over all of the User's CNCCD Elections for the Nominated Entry Point.

6 Impacts & Other Considerations

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

No

Consumer Impacts

The CNCCD discount arrangements are intended to avoid Inefficient bypass of the NTS. Inefficient bypass would reduce the capacity charges cost base and result in increased NTS Capacity reserve tariffs which would then be passed through to consumers. This proposal improves eligibility for the CNCCD discount to help avoid inefficient bypass and increased tariffs and prevent higher bills for consumers.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability N/A	None
Lower bills than would otherwise be the case The CNCCD discount arrangements are intended to avoid Inefficient bypass of the NTS. Inefficient bypass would reduce the capacity charges cost base and result in increased NTS Capacity reserve tariffs which would then be passed through to consumers. This proposal improves eligibility for the CNCCD to help avoid inefficient bypass and increased tariffs.	Positive
Reduced environmental damage Reduce probability of inefficient pipeline construction and bypass of the NTS	Positive
Improved quality of service N/A	None
Benefits for society as a whole N/A	None

Cross-Code Impacts

None

EU Code Impacts

None

Central Systems Impacts

Some Central Systems development is likely to be required. The cost and timeline is to be determined.

7 Relevant Objectives

Impact of the Modification on the Transporters' Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
b) Coordinated, efficient and economic operation of	None

(i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	
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 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 CNCCD discount arrangements are intended to avoid Inefficient bypass of the NTS. Inefficient bypass would reduce the capacity charges cost base and result in increased NTS Capacity reserve tariffs which would then be passed through to consumers. This proposal improves eligibility for the CNCCD discount to help avoid inefficient bypass and improve effective competition.

8 Implementation

As Self-Governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

Implementation timescales will be subject to Central Systems development, to be determined.

9 Legal Text

Legal text will be drawn up by the relevant 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 Self-Governance procedures should apply.
- Refer this proposal to a Workgroup for assessment.