

UNC Modification	At what stage is this document in the process?
<h1>UNC 0820FT:</h1> <h2>Clarification on how many decimal places the Conditional NTS Capacity Charge Discount is calculated to.</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #008000; color: white; padding: 5px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em; margin-right: 5px;">01</span> Modification         </div> <div style="border: 1px solid blue; padding: 5px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em; margin-right: 5px;">02</span> Workgroup Report         </div> <div style="border: 1px solid purple; padding: 5px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em; margin-right: 5px;">03</span> Draft Modification Report         </div> <div style="border: 1px solid orange; padding: 5px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em; margin-right: 5px;">04</span> Final Modification Report         </div> </div>
<p><b>Purpose of Modification:</b></p> <p>Two clarifications in the legal text have been noted when compared with the solution proposed and approved under UNC Modification 0728B (Urgent) - <i>Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS</i>. This Modification amends the legal text to match the solution and the practical implementation of UNC Modification 0728B.</p>	
<p><b>Next Steps:</b></p> <p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> <li>subject to Fast Track Self-Governance</li> </ul> <p>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><b>Impacted Parties:</b></p> <p>All NTS Users</p>	
<p><b>Impacted Codes:</b></p> <p>UNC TPD Sections B and Y will be updated</p>	

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<b>Timetable</b>		Systems Provider: <b>Xoserve</b>
The Proposer recommends the following timetable:		 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>
Pre-Modification Discussed	01 September 2022	
Date Modification Raised	05 September 2022	
New Modification to be considered by Panel	15 September 2022	
Modification Panel decision	15 September 2022	

## Summary

### What

The Business Rules which were developed to form the solution under UNC Modification 0728B (Urgent) - *Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS*, described the calculation of a Conditional NTS Capacity Charge Discount for Avoiding Inefficient Bypass of the NTS. These rules made it clear that the Transmission Conditional NTS Capacity Charge Discount 'CNCC Discount' would be calculated to the nearest whole percentage point and, upon implementation of the UNC Modification, this is how the calculation was built in the Gemini system.

When the calculation was transposed into the legal text it was calculated as a factor rather than a percentage. To ensure consistency between the approaches this factor should be rounded to two decimal places, equivalent to one whole percentage point. However, this step was inadvertently omitted from the final version of the Legal Text which contains no instruction as to how it is rounded.

Additionally, the Business Rules stated that Capacity Charges levied at the Discounted Reserve Price will be invoiced and payable in accordance with UNC TPD Section S, but this was not referenced in the legal text.

### Why

Whilst the percentage point rounding has no impact on any Users, as the system is calculating the discount in accordance with the UNC Modification 0728B solution, the lack of clear instruction on how to round the calculated discount in the legal text may make it difficult for Users to replicate the discount and therefore, the applicable rate for their own validation purposes.

Similarly, referencing that Capacity Charges levied at the Discounted Reserve Price are invoiced and payable in accordance with UNC TPD Sections S, provides clarity and is consistent with other charges that are referenced in UNC.

### How

An amendment is proposed to the description of the term Conditional NTS Capacity Charge Discount (CNCC Discount) in UNC TPD Section Y Paragraph 5.1.2, to include the correct rounding process.

An amendment is proposed to UNC TPD Section B stating that Capacity Charges levied at the Discounted Reserve Price will be invoiced and payable in accordance with UNC TPD Section S.

## Governance

### Justification for Fast Track Self-Governance

This Modification is a housekeeping Modification required as a result of a minor omission in the Legal Text implemented for UNC Modification 0728B. It should be classed as a Fast Track Self-Governance Modification as it has no effect on existing or future gas consumers, competition between parties, operation of network systems or UNC procedures nor unduly discriminates between different classes of UNC parties.

### Requested Next Steps

This Modification should be considered a non-material change and subject to Fast Track Self-Governance.

## Why Change?

### CNCC Discount Percentage Rounding Process

Under the solution proposed and approved in UNC Modification 0728B<sup>1</sup>, for use in the calculation of the Discounted Reserve Price in paragraphs 19 (for Entry) and 20 (for Exit),  $TCD_r$  is defined as "...the percentage value of the Transmission Conditional Discount (**rounded to the nearest whole number**) for the relevant route...". This percentage figure is then subtracted from 100 and divided by 100 to create a factor. This is the process employed in Gemini to calculate the Discounted Reserve Price.

The process laid out in the legal text instead calculates the CNCC Discount directly as a value, less than 1, which is then subtracted from 1 to create the same factor. The resultant figure is multiplied by the Reserve Price to calculate the Discounted Reserve price.

To calculate the Discounted Reserve Price in line with the solution, this factor should be rounded to two decimal places. Without the correction this could lead to minor discrepancies should Users wish to replicate the process of calculating their own Discounted Reserve Price.

Inserting the correct rounding process into the description of CNCC Discount in UNC TPD Section Y<sup>2</sup> Paragraph 5.1.2 (b) will resolve the inconsistency between approved Solution within UNC Modification 0728B and Legal Text.

### Invoicing

The legal text implemented under UNC Modification 0728B contains no clear indication that Capacity Charges levied at the Discounted Reserve Price are to be invoiced and payable in accordance with UNC TPD Section S. This is inconsistent with the Business Rules and with other charges described within UNC. It is therefore prudent to include this in order provide clarity and consistency.

## Code Specific Matters

### Reference Documents

[UNC 0728B \(Urgent\)](#)

[TPD Section B](#)

[TPD Section Y](#)

## Solution

Append the description of CNCC Discount in UNC TPD Section Y Paragraph 5.1.2 (b) with the following:

CNCCD is the applicable CNCC Discount (*rounded to two decimal places*)

Insert the following paragraph into UNC TPD Section B under 9.3.10:

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<sup>1</sup> [Modification 0728B \(Urgent\)](#)

<sup>2</sup> [UNC TPD Section Y](#)

Capacity Charges levied at the Discounted Reserve Price will be invoiced and payable in accordance with UNC TPD Section S.

## Impacts & Other Considerations

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

No

### Consumer Impacts

None.

**What is the current consumer experience and what would the new consumer experience be?**

Some users of the NTS Optional Capacity Charge may see some benefit when replicating charges for validation. No other User groups will be impacted.

#### Impact of the change on Consumer Benefit Areas:

Area	Identified impact
Improved safety and reliability	None
Lower bills than would otherwise be the case	None
Reduced environmental damage	None
Improved quality of service The change may reduce User queries due to unclear information currently in the public domain.	Positive
Benefits for society as a whole	None

### Cross-Code Impacts

None.

### EU Code Impacts

None.

### Central Systems Impacts

None. This change is aligning the Legal Text to the solution in UNC Modification 0728B and the process in Gemini.

## 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.	None
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 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

Standard Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code is overall furthered as this proposal is providing clarity on how many decimal places the CNCC Discount is rounded too and how Capacity Charges levied at the Discounted Reserve Price are invoiced and payable. It does not change any calculations but ensures that the code accurately reflects the UNC Modification 0728B Solution.

### Impact of the Modification on the Transporters' Relevant Charging Methodology Objectives:

Relevant Objective	Identified impact
a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	None
aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: (i) no reserve price is applied, or (ii) that reserve price is set at a level - (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and (II) best calculated to promote competition between gas suppliers and between gas shippers;	None

b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	None
c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	None
d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	None
e) 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

This proposal does not amend any of the equations within UNC TPD Section Y. It simply clarifies that the CNCC Discount is rounded to two decimal places, bringing the code in line with the Solution set out in UNC Modification 0728B. As UNC TPD Section Y is not substantively changed, there will be no impact to the Charging Methodology Relevant Objectives.

## Implementation

As Fast Track Self-Governance procedures are proposed, implementation could be sixteen business days after a unanimous vote in favour of implementation by the Modification Panel, subject to no Objection being raised.

## Legal Text

### Text Commentary

Append the description of CNCCD on UNC TPD Section Y Paragraph 5.1.2 (b).

Insert a new paragraph into UNC TPD Section B forming 9.3.10:

### Text

UNC TPD Section Y Paragraph 5.1.2 (b):

CNCCD is the applicable CNCC Discount *(rounded to two decimal places)*

UNC TPD Section B 9.3.10:

*9.3.10 Capacity Charges levied at the Discounted Reserve Price will be invoiced and payable in accordance with UNC TPD Section S.*

## Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Fast Track Self-Governance procedures should apply.
- Agree that this Fast Track Self-Governance Modification Proposal should be implemented.