











UNC Modification		At what stage is this document in the process?
<h1>UNC 0616:</h1> <h2>Capacity Conversion Mechanism for Interconnection Points</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
Purpose of Modification: To provide a process for 'converting' unbundled capacity into bundled capacity in compliance with the amended EU CAM code.		
	The Proposer recommends that this modification should be: <ul style="list-style-type: none"> subject to self-governance assessed by a Workgroup. This modification will be presented by the Proposer to the Panel on 20 April 2017. The Panel will consider the Proposer's recommendation and determine the appropriate route.	
	High Impact: None	
	Medium Impact: National Grid Gas Transmission, Shipper Users	
	Low Impact: None	

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Timetable		 0121 288 2107
The Proposer recommends the following timetable:		Proposer: Malcolm Montgomery
Initial consideration by Workgroup	04 May 2017	 enquiries@gasgovernance.co.uk
Workgroup Report presented to Panel	20 July 2017	 malcolm.montgomery@nationalgrid.com
Draft Modification Report issued for consultation	20 July 2017	 01926 653991
Consultation Close-out for representations	10 August 2017	Transporter: National Grid Transmission
Final Modification Report available for Panel	11 August 2017	Systems Provider: Xoserve
Modification Panel decision	17 August 2017	 commercial.enquiries@xoserve.com

1 Summary

What

Users who hold unbundled capacity on one side of an IP may wish to acquire matching unbundled capacity on the other side of the IP. Because priority is given to offering capacity as bundled, then the User may find that they have no option but to buy a new bundled product to acquire capacity on both sides of the IP. This means that the User will have purchased capacity twice on one side of the IP. There is currently no capacity conversion mechanism within the UNC.

Why

The amendment to the EU network code on Capacity Allocation Mechanisms (CAM) was published into the EU Official Journal on 17 March 2017 as regulation 2017/459. CAM requires a capacity conversion mechanism to be offered to Users at interconnection points (IP), and this modification shall introduce that process into the Uniform Network Code. Not doing so would create non-compliance with CAM.

How

It is proposed that a capacity conversion mechanism, describing the preconditions and validations to be performed, be added into Section B of the European Interconnection Document (EID) within the UNC. The proposal will achieve compliance with the CAM code.

2 Governance

Justification for Self-Governance

It is proposed to follow the self-governance procedure.

This is on the basis that it is proposed to implement the new mechanism in a relatively simple ex-post manner, and the new mechanism does not significantly alter the general arrangements for transporting gas at IPs when they are considered in the round. There is therefore no material impact on 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.

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 amendment to the EU network code on capacity allocation mechanisms was published into the EU Official Journal on 17 March 2017 as regulation 2017/459. This shall hereafter be simply referred to as CAM. CAM requires a capacity conversion mechanism to be offered to network Users at interconnection points (IP), and this modification shall introduce that process into the Uniform Network Code. The CAM code requires the mechanism to be effective from 01 January 2018.

The mechanism will affect capacity entitlements at IPs and the associated liabilities, and so should be implemented through the UNC so there are clear transparent rules.

This proposal shall enable compliance with the CAM code.

4 Code Specific Matters

Reference Documents

The CAM code can be found here:

[http://www.entsog.eu/public/uploads/files/publications/CAM%20Network%20Code/2017/COMMISSION%20REGULATION%20\(EU\)%202017-459%20-%20CAM%20NC.pdf](http://www.entsog.eu/public/uploads/files/publications/CAM%20Network%20Code/2017/COMMISSION%20REGULATION%20(EU)%202017-459%20-%20CAM%20NC.pdf)

Knowledge/Skills

An understanding of the CAM code and the GB capacity regime would be beneficial, notably UNC Section B of both the Transportation Principal Document and the European Interconnector Document.

5 Solution

The following rules should be added into Section B of the EID.

1. Following a bundled auction of yearly, quarterly or monthly IP capacity then shipper users may request to convert unbundled capacity.
2. The request must be received by National Grid NTS, using the pro-forma published on National Grid's website, between [x] and [y] days after the auction. [*National Grid NTS will propose exact timing to the development workgroup*]
3. The following pre-condition must be met before National Grid NTS will consider any capacity conversion requests. Either:
 - a. There is no equivalent unbundled capacity product offered by the adjacent TSO at the IP; or
 - b. The equivalent unbundled capacity product offered by the adjacent TSO at the IP is oversubscribed and the conversion request quantity is less than the oversubscription quantity.
4. National Grid NTS will complete both technical and commercial validation.

5. Technical validation.
 - a. If the form received is incomplete or incorrectly filled in then National Grid NTS may reject the form and will ask the sender to resubmit.
6. Commercial validation.
 - a. National Grid NTS will perform a capacity check to ensure that the shipper user holds sufficient legacy¹ registered capacity holdings compared to the conversion quantity submitted.
 - b. National Grid NTS will inform a shipper user whether the request has been successful. If not successful then National Grid NTS will provide the reasons why.
7. Following a successful application:
 - a. The shipper user shall remain liable to pay the original unbundled capacity holding.
 - b. The shipper user shall [not] be liable to pay the reserve price component of the clearing price for the relevant bundled auction [however a credit amount equal in value to the reserve price shall be paid to the shipper]. *[Both options achieve the same net outcome; National Grid will propose one option or the other once further system impact and feedback has been received]*
 - c. The shipper user shall be liable to pay the auction premium component of the clearing price for the relevant bundled auction.
 - d. The unbundled capacity entitlements of the successful shipper user shall be reduced by the approved conversion quantity.
8. Unbundled capacity that was previously sold, but has been converted to bundled capacity through this mechanism will be made available in any subsequent auctions.
9. The order in which National Grid NTS shall allocate capacity following an auction shall be:
 - a. unsold technical capacity.
 - b. Previously sold unbundled capacity that is now converted.
 - c. Capacity made available through CMP mechanisms.
10. *[As part of the workgroups National Grid NTS will bring forward proposals as to how it remains financially neutral to the process]*

6 Impacts & Other Considerations

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

No impact identified.

¹ Legacy in this modification means capacity purchased before the original EU CAM code came into effect i.e. before 1st Nov 2015.

Consumer Impacts

The net effect of this proposal should be to redress the situation where shipper users have to purchase system capacity twice at interconnection points. This may result in lower costs for shipper users which in turn may result in a lower cost to consumers.

Cross Code Impacts

No impact identified.

EU Code Impacts

This UNC modification proposal demonstrates how GB will comply with the capacity conversion mechanism required under the CAM code.

Central Systems Impacts

These will be investigated as part of the Workgroup assessment. Any change to systems identified through this modification is anticipated to be dealt with, and funded, through National Grid's EU phase 4 project.

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.	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.	None
g) Compliance with the Regulation and any relevant legally binding decisions	Positive

of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	
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Relevant objective g) *Compliance with the Regulation etc*, will be furthered because the mechanism proposed by this modification is a requirement of the EU CAM code.

8 Implementation

No implementation timescales are proposed, however it should be noted that the CAM code requires the mechanism to be effective from 01 January 2018.

9 Legal Text

Text Commentary

Legal text commentary will be provided as part of the modification development.

Text

Legal text will be provided as part of the modification development.

10 Recommendations

Proposer's Recommendation to Panel

The Panel is asked to:

- Agree that self-governance procedures should apply
- Refer this proposal to a Workgroup for assessment.