

UNC Modification		At what stage is this document in the process?
<h1 style="color: #00a651;">UNC 0752:</h1> <h2 style="color: #00a651;">Introduction of Weekly NTS Entry Capacity Auctions</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #00a651; background-color: #00a651; color: white; padding: 2px 5px; display: inline-block;">01 Modification</div> <div style="border: 1px solid #00a651; background-color: #e0f2f1; padding: 2px 5px; display: inline-block;">02 Workgroup Report</div> <div style="border: 1px solid #00a651; background-color: #e0f2f1; padding: 2px 5px; display: inline-block;">03 Draft Modification Report</div> <div style="border: 1px solid #00a651; background-color: #e0f2f1; padding: 2px 5px; display: inline-block;">04 Final Modification Report</div> </div>	
<p>Purpose of Modification:</p> <p>To introduce Weekly NTS Entry Capacity Auctions to allow for more economic and efficient capacity bookings.</p>		
	<p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> subject to Self-Governance assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 21 January 2021. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>	
	<p>High Impact: None</p>	
	<p>Medium Impact: National Grid NTS</p>	
	<p>Low Impact: Shippers</p>	

Formatted: Font color: Red, Strikethrough

Formatted: Font color: Red, Strikethrough

Contents		 Any questions?
1	Summary	3
2	Governance	3
3	Why Change?	3
4	Code Specific Matters	6
5	Solution	6
6	Impacts & Other Considerations	6
7	Relevant Objectives	8
8	Implementation	8
9	Legal Text	9
10	Recommendations	9
Timetable		 Contact: Joint Office of Gas Transporters
The Proposer recommends the following timetable:		 enquiries@gasgovernance.co.uk
Initial consideration by Workgroup	02 February 2021	 0121 288 2107
Workgroup Report presented to Panel	15 April 2021	Proposer: Adam Bates, South Hook Gas Company Ltd
Draft Modification Report issued for consultation	16 April 2021	 abates@southhookgas.com
Consultation Close-out for representations	10 May 2021	 07787524566
Final Modification Report available for Panel	12 May 2021	Transporter: Darren Lond, National Grid
Modification Panel decision	20 May 2021	 darren.lond@nationalgrid.com
		 07769 724 892
		Systems Provider: Xoserve
		 UKLink@xoserve.com

Formatted: Font color: Red, Strikethrough

Formatted: Font color: Red, Strikethrough

1 Summary

What

Under the “ticket to ride” principle that underpins the GB capacity regime, Shippers are required to book a unit of National Transmission System (NTS) Entry Capacity (via one of the auctions prescribed within Uniform Network Code (UNC) Transporter Principals Document (TPD) Section B) for every unit of gas entered onto the NTS.

Under the current arrangements, only monthly or quarterly products are available outside of the daily product which restricts Shippers ability to book capacity efficiently where they:

- a) cannot rely on the Daily System Entry Capacity auctions because of the potential withholding of capacity by National Grid because of a constraint; or
- b) want to purchase capacity ahead of the Gas Day for planning purposes.

Why

Any inefficient capacity bookings made by Shippers not only unnecessarily increase their overall cost of acquiring capacity but also restrict the amount of capacity available at the daily auctions for other Shippers.

The cost associated with these inefficient bookings has recently been increased by the implementation of UNC Modification 0678A - Amendments to Gas Transmission Charging Regime (Postage Stamp), which removed the commodity charge element (only payable on flows) and at all Entry Points increases the reserve price applicable to any capacity bookings.

How

This Modification seeks to implement a Weekly NTS Entry Capacity auction which allows Shippers an additional opportunity to book capacity more efficiently, outside of the current Monthly, Daily and Daily Interruptible products.

This proposed Weekly NTS Entry Capacity auction will run independently of the current NTS Entry Capacity auctions and is not intended to have any adverse impacts on the current auctions.

2 Governance

Justification for Self-Governance

Application of Self-Governance is sought because the changes proposed are unlikely to have an adverse effect 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.

The Modification is unlikely to discriminate between different classes of parties to the UNC or Gas Shippers due to the changes having the same impact on UNC parties as per the current rules for NTS Entry Capacity Auctions.

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?

Introduction

NTS Entry Capacity is required to be purchased¹ to allow a Shipper to enter gas onto the NTS and is made available through various NTS Entry Capacity auctions, which are prescribed within UNC TPD Section B2 (summarised within Table 1).

Following the implementation of UNC Modification 0678A², which changed the charging methodology associated with NTS Capacity, it is widely acknowledged that Shippers are now incentivised to book capacity more efficiently, whereby their capacity bookings will better reflect their anticipated gas flows.

Currently, only quarterly, monthly, and daily NTS Entry Capacity products are available, which is not necessarily reflective of how gas is traded and subsequently flowed onto the NTS, especially for flexible assets such as LNG Terminals and Storage. Therefore, if a Shipper has expected gas flows which are not rateable across a quarterly or monthly strip, they are required to rely on either the Daily System Capacity auction or book capacity in the Quarterly / Monthly System Capacity auctions, which leads to additional costs of acquiring NTS Entry Capacity versus that which should be required.

Table 1: Summary of NTS Entry Capacity Auctions

Capacity Product	Product	Timeline	Capacity offered
Quarterly (QSEC)	Flat quarterly strips	Q+2 to Q+64	<ul style="list-style-type: none"> 90% of Obligated Baseline minus sold Firm NTS Entry Capacity
Annual Monthly (AMSEC)	Flat monthly strips	M+2 to M+20	<ul style="list-style-type: none"> Obligated baseline minus sold Firm NTS Entry Capacity
Monthly (RMTNTSEC)	Flat monthly strips	M+1	<ul style="list-style-type: none"> Obligated baseline minus sold Firm NTS Entry Capacity
Daily (DSEC)	Daily	D+1 / D	<ul style="list-style-type: none"> Obligated baseline minus sold Firm NTS Entry Capacity Quantity may be withheld should NGG foresee a capacity constraint
Daily Interruptible (DISE)	Daily	D+1 / D	<ul style="list-style-type: none"> Use It or Lose It quantity

¹ Where a Shipper's flow exceeds their entry capacity entitlement, they will become subject to overrun charges as per UNC TPD Section B2.12

² <https://www.gasgovernance.co.uk/0678>

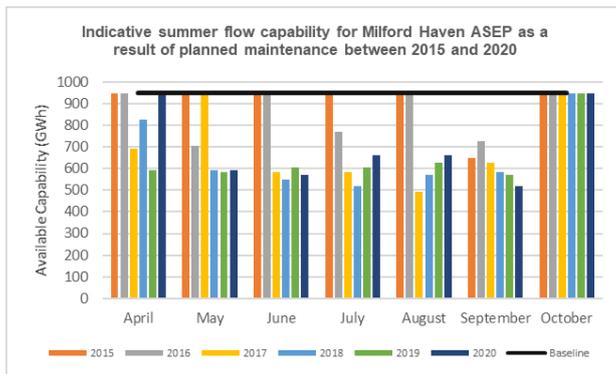
Daily (DSEC) and Monthly (MSEC) System Entry Capacity Auctions

Whilst the DSEC Auction allows for capacity to be booked at the day ahead or within-day stage, thus allowing capacity to be booked efficiently to reflect flows, National Grid may withhold capacity from sale at the relevant Aggregated System Entry Point (ASEP) should it foresee a capacity constraint occurring³. We understand that National Grid does not in the ordinary course notify the market of any potential scale backs ahead of time.

Whilst withholding NTS capacity for unplanned maintenance and outages is naturally unpredictable, constraints can occur because of planned maintenance on the NTS. National Grid publishes the indicative flow capabilities for all NTS Entry Points within their Maintenance Plans; however, these are aggregated to a monthly figure, despite the reductions potentially only being for a single day. This low level of granularity makes it very difficult to rely on the DSEC auctions for certain Entry Points that have significant amounts of planned maintenance. It is worth noting that there are no commercial remedies available from National Grid for a constraint where capacity has not been purchased.

Figure 1 shows the indicative summer flow capability levels at Milford Haven ASEP because of planned maintenance contained within the Summer Maintenance plans between 2015 and 2020 (inclusive). The maintenance plan shows significant levels of capability reductions at Milford Haven ASEP versus the baseline in numerous months over multiple years, therefore highlighting the uncertainties of relying on DSEC Auctions and the potential risk of capacity being withheld as a result.

Figure 1



Source: National Grid Summer Maintenance Plans; 2015 to 2020

As a result, Shippers at those NTS Entry Points which are at risk of having DSEC withheld are likely to be pushed to rely on the MSEC auctions to ensure the capacity is acquired. Whilst this may be acceptable for a Shipper which has a monthly rateable send out, it is not attractive for Shippers at flexible assets, such as LNG Terminals, where gas can be traded outside of monthly strips and may result in inefficient and excessive capacity bookings which reduce both the competitiveness and attractiveness of the relevant Entry Points. In addition, there is a risk that having a reliance on MSEC auctions will lead to a reduction in flexibility at these

³ As per Paragraph 73 of the Entry Capacity Release Methodology Statement: <https://www.nationalgrid.com/uk/gas-transmission/document/128001/download>

Formatted: Font color: Red, Strikethrough

Formatted: Font color: Red, Strikethrough

Entry Points, due to the high cost of buying additional Entry Capacity to accommodate any flexibility which would increase the unit cost of delivering a therm of gas at those Entry Points.

Implications

To mitigate against the inefficient booking and increased costs of acquiring NTS Entry Capacity at the MSEC auction, this Modification seeks to supplement UNC TPD Section B2 by introducing a new Weekly NTS Entry Capacity auction. This would:

- a) Allow Shippers to book capacity more accurately to reflect their flows onto the NTS; and
- b) Increase the amount of DSEC capacity made available.

This product would be available to all NTS Entry Points which within the scope of the current NTS Entry Capacity auctions as prescribed within UNC TPD Section B2.

There are no resultant impacts on the current NTS Entry Capacity auctions contained within UNC.

4 Code Specific Matters

Reference Documents

UNC TPD Section B: https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2020-12/4%20TPD%20Section%20B%20-%20System%20Use%20%26%20Capacity_0.pdf

Entry Capacity Release Methodology Statement:

https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2020-12/4%20TPD%20Section%20B%20-%20System%20Use%20%26%20Capacity_0.pdf

National Grid Summer Maintenance Plans (landing page): <https://www.nationalgrid.com/uk/gas-transmission/data-and-operations/maintenance>

National Grid Gas Transmission Capacity Guidelines document:

https://www.nationalgrid.com/sites/default/files/documents/45759-Capacity%20Guidance%20Doc_v1_0-140616.pdf

Knowledge/Skills

No additional knowledge or skills required.

5 Solution

For this Modification to be implemented the provisions for a Weekly NTS Entry Capacity Auction would need to be included within UNC TPD Section B, including:

- The capacity available at the Weekly NTS Entry Capacity auction is:
 - Unsold NTS Entry Capacity (if any); plus
 - Incremental NTS Entry Capacity (if any).
- The Weekly NTS Entry Capacity auction would take place between 08:00 and 17:00 at D-10 (where D is the first gas day of the weekly period, being a Monday).
- The Weekly NTS Entry Capacity would be allocated by D-9. For the avoidance of doubt, this allocation needs to be completed before the opening of the DSEC window at D-7.

- Where a weekly period crosses two Gas Years, then the prevailing price on each relevant day will be used. For example, week commencing 27th September 2021 crosses the 2020/21 and 2021/22 Gas Year. In this example, 27th, 28th, 29th and 30th September would be charged at the 2020/21 reserve price whilst the 1st, 2nd and 3rd October would be charged at the 2021/22 reserve price. Where a weekly period does cross two Gas Years then National Grid will notify Users within the weekly auction invitation. For the avoidance of doubt, the weekly auction invitation will be issued no later than 5 business days before the auction date.
- For the avoidance of doubt, upon implementation the prevailing Reserve Price and a Duration Multiplier of one (1) (as prescribed within UNC TPD Section Y for the current NTS Auctions) will be applied to the Weekly NTS Entry Capacity Auctions.
- For the avoidance of doubt, the amendments to the UNC as proposed in this Modification shall not be applicable to interconnection points ("IPs"). The revised CAM Regulation (as retained in UK law in accordance with the European Union (Withdrawal) Act 2018 and amended by the Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations 2019) governs the offering of capacity products at UK IPs. A weekly capacity product is not envisaged by the CAM Regulation. In order to permit the offering at IPs of weekly capacity products, the CAM Regulation would need to be amended, which would be a legislative process; authorising the offering of this new product at IPs is beyond the permitted scope of the UNC and therefore would not be achievable through a modification to the UNC. While the Modification may therefore result in differences between capacity products offered at IPs and non-IP entry, this is reflective of the extent of the amendments that can be made by way of UNC amendment.

6 Impacts & Other Considerations

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

No Significant Code Review or significant industry change will be impacted by this Modification.

Consumer Impacts

Implementing a Weekly NTS Entry Capacity Auction is likely to reduce the cost of delivering gas onto the NTS by allowing Shippers to book capacity more efficiently. This has the potential to improve the attractiveness of GB for imported gas, therefore providing Security of Supply benefits for consumers.

Cross Code Impacts

None identified.

EU Code Impacts

None

Central Systems Impacts

It is anticipated that there will be System Impacts in the implementation of a Weekly NTS Entry Capacity Auction.

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 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

Relevant Objective:

- a) This proposal furthers Relevant Objective (a) as implementing a Weekly NTS Entry Capacity auction will provide Shippers with an additional opportunity to efficiently purchase capacity that better reflects their anticipated gas flows. This will enable National Grid NTS to commercially plan, operate and manage the NTS, therefore facilitating the efficient and economic operation of the NTS.
- d) This proposal furthers Relevant Objective (d) by allowing Shippers to book NTS Entry Capacity that better reflects their anticipated gas flows (versus the current RMTNTSEC auction). This will reduce the cost of acquiring unwanted NTS Entry Capacity, especially for flexible assets (such as LNG terminals and Storage) and provide security of supply benefits. In turn, reducing the unit cost of supply at those Entry Points which are currently purchasing monthly products will facilitate competition among Shippers and potentially reduce the cost of gas to consumers. The implementation of a Weekly NTS Entry Capacity product also increase the capacity available at DSEC.

8 Implementation

The Modification should be implemented as soon as reasonably possible and is not required to be implemented at the start of a Gas Year.

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.

9 Legal Text

Text Commentary

To be provided by Transporters.

Text

To be provided by Transporters.

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.