

UNC 0765:

New retrospective debit and credit charges to reflect changes to the treatment of Entry Capacity Revenue between October and December 2020



Proposer: Colin Williams, National Grid NTS

Panel Date: 15 April 2021

Why change?



- Following implementation of UNC Modification 0678A on 1st October 2020 inappropriately high cashflows were subject to the Capacity Neutrality Arrangements (c. £0.5m per day) that was paid to Entry Users. UNC0748 implemented a change to stop this from January 2021.
- This Proposal seeks to create a charge to reflect removal specific Entry Capacity revenues from Capacity Neutrality for October, November and December 2020 and a credit to redistribute these monies across those subject to additional Entry charges across February 2021 – September 2021.
- If no action is taken to address the issue, the inappropriate revenue redistribution will not be resolved thereby retaining a detrimental impact on competition between Shippers and negatively impact the fairness of the charging regime including potential impacts to Consumers.
- The total amount to be charged and redistributed is c. £47m which, taking into account the distributional impacts, warrants correction including the use of the retrospective change for a prior period which is accepted should be the exception rather than the norm.

Options



- Levy a charge for the period October, November and December 2020 (c.£47m) that would reconcile capacity neutrality payments for these months to be the same method UNC0748 implemented for January 2021 onwards.
- The options considered for the redistribution of the c.£47m this would cover:
 - Distribute on the basis of a User's Fully Adjusted Capacity Holdings (net of Existing Available Capacity) between 01 February and 30 September 2021 (preferred approach); or
 - Distribute via a reduction to ongoing Transmission Services Entry Revenue Recovery Charges following implementation

Solution



- A charge (debit) made in three installments, one each for the months of October, November and December 2020 for a User's proportion of the Capacity Neutrality payments made related to Within Day and Daily Interruptible Entry Capacity
- A payment (credit) to be made across three months, one each for redistributing October, November and December's charge values, distributed based on a User's proportion of Fully Adjusted Capacity (net of Existing Available Holdings) between February 2021 to September 2021 inclusive.

Recommended Steps



- The Proposer recommends that this modification should be:
 - Not subject to self-governance because it is likely to have a material effect on commercial activities relating to the shipping, transportation and supply of gas as it will create a charge for those Users in receipt of Capacity Neutrality payments in October, November and December 2020 and create a credit for those Users who have a Fully Adjusted Entry Capacity Holding (net of Existing Available Holdings) for the period February 2021 to September 2021, inclusive.
 - Workgroup assessment to develop the modification for 2-3 months