

UNC Modification	At what stage is this document in the process?
<h1>UNC 0755:</h1> <h2>Enhancement of Exit Capacity Assignments</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #28a745; color: white; padding: 2px 5px; border-radius: 4px;">01 Modification</div> <div style="border: 1px solid #17a2b8; padding: 2px 5px; border-radius: 4px;">02 Workgroup Report</div> <div style="border: 1px solid #9b59b6; padding: 2px 5px; border-radius: 4px;">03 Draft Modification Report</div> <div style="border: 1px solid #f39c12; padding: 2px 5px; border-radius: 4px;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>Enhancement of the existing Exit Capacity Assignment arrangements to enable Network Users to transfer, in full or in part, both the Capacity and associated Liability at an Exit Point.</p>	
	<p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> considered a material change and not subject to self-governance assessed by a Workgroup <p>This Modification will be presented by the Proposer to the Panel on 18 February 2021. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: NTS Users</p>
	<p>Low Impact: None</p>

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Timetable		
The Proposer recommends the following timetable:		
Pre-modification Discussion	03 December 2020 & 07 January 2021	
Modification considered by Panel	18 February 2021	
Initial Consideration by Workgroups	04 March 2021	
Workgroup Report presented to Panel	20 May 2021	
Draft Modification Report issued for consultation	20 May 2021	
Consultation Close-out for representations	10 June 2021	
Final Modification Report available for Panel	14 June 2021	
Modification Panel decision	17 June 2021 <i>(at short notice and agreement by Panel)</i>	
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1 Summary

What

The UNC currently allows for full assignment of Capacity and liability between Users at an Exit Point. This Modification proposes to enhance the current Assignment offering by providing the ability to assign Capacity at Exit Points both in full and in part.

Why

Enhancing Exit Capacity Assignments gives Users an enhanced level of flexibility, and reduces the risks associated with booking longer term Capacity. Users are currently able to trade Capacity on the secondary market which enables them to more accurately match their Capacity holdings to their expected flows. However, this puts an administrative burden on the original Capacity holder in setting up the initial arrangement and in ongoing invoicing and payment management which could be a barrier to some Users. The ability to assign partial volumes would also benefit incoming Users who could arrange to take on long-term liabilities rather than relying on the short-term markets to fulfil their obligations to customers.

How

Enhancements to the Gemini system will provide Users with the ability to assign Exit Capacity and liability in part rather than just being able to transfer Capacity in full as is currently allowed. Updates to the Uniform Network Code (UNC) and the Exit Capacity Release Methodology Statement will be required to facilitate this.

Users will be able to assign Capacity and liability in the auction types in which they were purchased, i.e. annual or enduring, depending on the make-up of their Capacity portfolios as they are currently and Users will now be able to assign any volume within that auction purchase, consistent across the period defined, rather than on an all or nothing basis.

2 Governance

Justification for Authority Direction

The expansion of the existing Exit Assignment arrangements and the associated system enhancement costs will have an impact but would not disadvantage any User type more or less than any other. The changes to Capacity arrangements will have a material effect on transportation arrangements for Shippers.

Requested Next Steps

This Modification should:

- be considered a material change and not subject to self-governance
- be assessed by a Workgroup

3 Why Change?

Industry parties approached National Grid with a request to consider enhancing the existing Assignments arrangements for both Entry and Exit. A previous UNC Modification 0276 - Alternative User Pays approach to - UNC Modification Proposal 0263 Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity addressed the Exit issue and was approved but never implemented and changes in the User Pays

arrangements proposed in that Modification mean that the original decision no longer fits with the solution. After the request from industry to further develop the Assignments product, National Grid felt it would be sensible to revisit the Exit Modification. Ofgem have advised that a new Modification would be required due to the difference in funding arrangements of the Gemini system related change.

While National Grid are not proposing to take the Entry Assignment proposal forward at this time, the benefits for enhancement of the Exit Assignments methodology, laid out in Modification 0276, still apply in today's market. The enhanced flexibility of a partial assignment arrangement will benefit new and existing Users.

The current arrangements for transfer of Capacity between Users requires the setup of payment and invoicing arrangements between the two Shippers, with initial costs to set up the agreement and monthly invoicing costs. Should a Shipper default on this arrangement, legal fees would also be incurred. The assignment of that Capacity ends the need for a third-party agreement as a new arrangement between National Grid and a second Shipper removes the liability from the original holder and keeps the associated risks with National Grid.

As both the Entry and Exit solutions would share a similar system design this Modification also provides a path for a future Entry Assignments product should a Modification be proposed.

4 Code Specific Matters

Reference Documents

Transportation Principle 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

UNC Modification Proposal 0276

<https://www.gasgovernance.co.uk/0276>

Exit Capacity Release Methodology Statement

<https://www.nationalgrid.com/uk/gas-transmission/document/128006/download>

EU Tariff Code (Regulation 2017/460)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R0460>

5 Solution

Adjustments to the current paragraph 6 of UNC TPD Section B, which relates to the existing Exit Capacity Assignment arrangements will be required.

1. The text will allow Users to select a portion of their Annual NTS Exit (Flat) Capacity, which includes Enduring Annual NTS Exit (Flat) Capacity, and transfer both Capacity and associated liability to a second User.
2. The relevant proportion of User Commitment associated with the Capacity assigned, will also be assigned for the remainder of the User Commitment period. The Assignor will retain the remaining User Commitment, adjusted based on the assigned value.
3. Users will only be able to assign in the Capacity auction periods the Capacity was booked in, i.e. Annual and Enduring, but will be able to assign any volume, from 1 kWh/day for the full period, up to the full booking.
4. The Capacity assignee will pay the published Exit Transmission Services rate applicable to the period being assigned.

5. The assignee would also pay any Entry Transmission Services Revenue Recovery Charges applicable to the Capacity and Period Assigned to them.
6. This functionality will be available at all Exit Points including DN Offtakes, Storage and Interconnectors, however any bundled Capacity would be excluded from this arrangement.
7. A partial assignment will not be permitted where it conflicts with any NTS Exit (Flat) Capacity Transfer* (Trade) already in place and accepted by National Grid NTS.

6 Impacts & Other Considerations

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

This Modification has no impact of the Significant Code Review or any other significant industry change project.

Consumer Impacts

No negative impacts should be felt by Users due to this enhancement.

Capacity Assignors will benefit from a reduction in the administrative processes currently involved with transfer of Capacity while retaining the liability, and a lowering in their credit requirements, reducing the risks associated with booking long term Capacity.

Assignees will be able to take direct advantage of any appropriate Entry Transmission Services rate discounts applicable to the Exit Point, for example the Storage discount, due holding both the Capacity and the liability.

Overall consumers should not feel any significant impact due to this change.

Cross Code Impacts

No Cross Code impacts identified.

EU Code Impacts

No changes are proposed which would impact EU codes.

It is intended to retain the current status quo, with no proposed changes to UNC TPD Section Y that would impact TAR NC compliance.

The exclusion of bundled Capacity at Interconnectors avoids any conflict with the CAM Code.

Central Systems Impacts

System enhancements will be required to the Gemini system to enable this solution.

The ROM requested in 2010 as part of Modification 0276 suggested a maximum cost of £685k. Early Estimates from Xoserve suggested a system development time of approximately 40-50 weeks and a cost ranging between £1.2m and £1.5m to implement both an Entry and Exit solution simultaneously, though this included a significant risk factor as the Modification parameters were not as well defined at the time of the initial discussion. More up to date and reflective figures would be available following the formal request of a ROM for this specific Modification and its requirements. A CDSP Change Request will be raised and submitted as the Modification is developed.

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.	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 Modification will allow Shippers another option when moving Capacity at an ASEP. This should aid long-term profiling and reduce reliance on the short-term markets as well as reducing costs for Users overall.

Users would have more flexibility and confidence in the management of Registered NTS Exit (Flat) Capacity. In particular, it will allow Assignor Users the opportunity to assign Capacity within relatively short timescales to Assignee Users in response to end user customers' needs. Such needs are likely to arise at Interconnectors where an NTS User provides services to a number of downstream customers over different time periods.

In the event that an existing NTS User chooses to assign to another (incoming) NTS User the current rules do not allow the current (outgoing) User to assign a portion of its NTS Exit (Flat) Capacity to the incoming User to meet its and the customer's requirements (the current Shipper User may need to retain some NTS Exit (Flat) Capacity to meet the needs of its other customers). Consequently, incoming Shipper Users and their newly acquired customers need to rely on shorter-term NTS Exit (Flat) Capacity products (not guaranteed to be available) or plan years in advance to secure NTS Exit (Flat) Capacity. This change should enable more effective movement of Capacity between Users and reduce the costs to consumers.

8 Implementation

No implementation timescales are proposed. However, timescales will be more easily assessed following request of a ROM.

Initial discussions with industry requested a 01 October 2021 implementation date. All efforts were being made to try to achieve that, but based on early discussions with Xoserve, a Spring 2022 implementation was a more realistic timescale. Timescales will be updated following receipt of a ROM and will be subject to prioritisation approval at the DSC Change Management Committee.

9 Legal Text

Legal text will be drawn up by the 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 Authority Direction should apply
- Refer this proposal to a Workgroup for assessment.