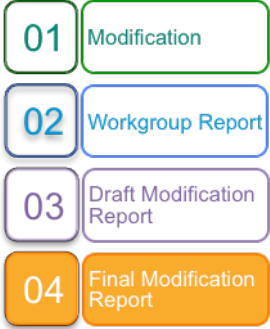














Stage 04: Final Modification Report	At what stage is this document in the process?
<h1>0563S:</h1> <h2>Moving the NTS Optional Commodity Charge Formula into the UNC</h2>	
<p>The NTS Optional Commodity Charge (OCC) is a charge allowed under section Y of the UNC. However, the formula used to calculate the OCC is published in the NTS Transportation Statement. This means there is a lack of appropriate Governance for any changes to the formula.</p>	
	<p>The Panel determined that this self-governance modification be implemented.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: National Grid Transmission, Gas Distribution Network Operators, Shippers and Suppliers</p>

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About this document:		 commercial.enquiries@xoserve.com
This Final Modification Report was considered by the Panel on 21 January 2016. The Panel determined that this modification should be implemented.		
Modification timetable:		
Initial consideration by Workgroup	30 November 2015	
Amended Modification considered by Workgroup	30 November 2015	
Workgroup Report presented to Panel	17 December 2015	
Draft Modification Report issued for consultation	17 December 2015	
Consultation Close-out for representations	15 January 2016	
Final Modification Report available for Panel	18 January 2016	
UNC Modification Panel decision	21 January 2016	

1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is a self-governance modification because it is unlikely to have a material effect on gas consumers; competition, the operation of pipe-line systems, safety or security of supply, the uniform network code governance procedures or the network code modification procedures.

Why Change?

The NTS Optional Commodity Charge (OCC) is a charge allowed under Section Y of the UNC.

However, the formula used to calculate the OCC is published in the NTS Transportation Statement. This means that changes to the formula or the parameters of the formula can be changed by National Grid without appropriate consultation with the industry or oversight by the Regulator. SSE considers that this lacks appropriate Governance.

Solution

It is proposed to move the existing formula used to calculate the OCC from the NTS Transportation Statement and place it into the UNC TPD, Section Y.

Relevant Objectives

This modification will enable any party to propose a change to the formula and not just National Grid, as is currently the case. It is considered that implementation of this modification will better facilitate achievement of the Relevant Charging Methodology Objectives (b) and (e).

Implementation

No timescale for implementation of this modification has been proposed, but it is recommended that it be implemented at the earliest practical opportunity.

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

This does not impact a SCR or affect other significant industry change projects.

2 Why Change?

The NTS Optional Commodity Charge (OCC) is a charge allowed under TPD Section Y of the UNC.

However, the formula used to calculate the OCC is published in the NTS Transportation Statement. The formula is shown below:

Pence per kWh
$1203 \times [(SOQ)^{0.834}] \times D + 363 \times (SOQ)^{0.654}$

Where D is distance in Km and the SOQ is the maximum NTS exit offtake rate in kWh/day.

This means that changes to the formula or the parameters of the formula can be changed by National Grid without appropriate consultation with the industry or oversight by the Regulator. SSE considers that this lacks appropriate governance.

3 Solution

It is proposed that the existing OCC formula from the NTS Transportation Statement, described in section 2 above, is inserted into the UNC TPD, Section Y.

However the specific term SOQ will need to be replaced with MNEPOR, converted to kWh/day.

Hence the formula to be inserted into the UNC which will maintain the same intent is:

$$1203 * (M^{-0.834}) * D + 363 * (M^{-0.654})$$

Where M is MNEPOR converted into kWh/day at the site.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

4 Relevant Objectives

Impact of the modification on the 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;	Positive
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.	Positive

b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business

This proposal furthers Relevant Charging Objective b) because it harmonises governance with other charging methods as introduced following earlier Code Governance Reviews, and is therefore consistent with good practices elsewhere in the UNC.

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

This proposal also furthers Relevant Charging Objective e) since Article 13 of Regulation 715/2009 states:

“Tariffs, or the methodologies used to calculate them, applied by the transmission system operators and approved by the regulatory authorities pursuant to Article 41(6) of Directive 2009/73/EC, as well as tariffs published pursuant to Article 32(1) of that Directive, shall be transparent.”

This modification will provide Ofgem a means of approving the Optional Commodity Charge, which is currently denied, thereby improving compliance with Regulation 715/2009.

This modification does not conflict with:

- (i) paragraphs 8, 9, 10 and 11 of Standard Condition 4B of the Transporter's Licence; or
- (ii) paragraphs 2, 2A and 3 of Standard Special Condition A4 of the Transporter's Licence;

5 Implementation

No timescale for implementation of this modification has been proposed, but it is recommended that it be implemented at the earliest practical opportunity.

No implementation costs are anticipated.

6 Impacts

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

No impacts to Switching SCR or other change projects.

One Workgroup participant expressed a concern that another charging review (of GCD11 – Optional Commodity Charge) would be delayed by this modification. Other participants disagreed, believing that it was appropriate to provide due governance for such significant developments. National Grid NTS confirmed that it had currently had no plans to progress GCD11 until the outcome of Modification 0563S was clear.

7 Legal Text

The following Text was confirmed as final Text at the UNC Modification Panel meeting on 17 December 2015.

Text Commentary

Uniform Network Code - Transportation Principal Document

TPD Section B - System Use and Capacity

B1.8.5 (d) has been amended to reflect that the formula for calculating the NTS Optional Commodity Rate is contained in Section Y rather than the NTS Transportation Statement.

B3.12.7 has been amended to reflect that the formula for calculating the NTS Optional Commodity Rate is contained in Section Y rather than the NTS Transportation Statement.

Uniform Network Code - Transportation Principal Document

TPD Section Y – Charging Methodologies

Part A Chapter 3 paragraph 3.5 of Section Y has been amended to include the formula for calculating the NTS Optional Commodity Rate. This formula has been lifted directly from the current NTS Charging Statement.

Text

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

AMEND TPD SECTION B (SYSTEM USE AND CAPACITY) PARAGRAPH 1.8.5(D)

1.8.5(d) for the purposes of paragraph 3.12.5, the Applicable Commodity Rate may be the rate determined in accordance with ~~the Transportation Statement~~ [paragraph 3.5 of Chapter 3 of Part A of Section Y](#) by reference to the distance between the Specified Exit Point and the Specified Entry Point and the capacity of the Specified Exit Point, determined in accordance with paragraph 3.12.8 (the "NTS Optional Commodity Rate")

AMEND TPD SECTION B (SYSTEM USE AND CAPACITY) PARAGRAPH 3.12.7

3.12.7 ~~Pursuant to the prevailing National Grid NTS Transportation Statement, a~~ [A](#) User may elect that, for the purposes of paragraph 3.12.5, the Applicable Commodity Rate of the NTS Exit (Flat) Commodity Charge in respect of a Specified Exit Point shall be the NTS Optional Commodity Rate, determined in accordance with paragraphs 3.12.9 to 3.12.14 (inclusive).

AMEND TPD SECTION Y (CHARGING METHODOLOGY) PART A CHAPTER 3 PARAGRAPH 3.5

3.5 NTS Optional Commodity Rate

Users can elect to pay the NTS Optional Commodity Rate as an alternative to both the NTS Entry and Exit (SO & TO) Commodity Charges. The NTS Optional Commodity Rate is derived from the estimated cost of laying and operating a dedicated pipeline of NTS specification. A charging function has been calculated based on a range of flow rates and pipeline distances. The larger the load and the closer to an Entry Point the smaller the NTS Optional Commodity Rate should be as this reflects the unit cost of laying a pipeline. Although the rate is available to all daily-metered supply points, in practice it is therefore only attractive for large supply points situated

close to terminals as at certain distances and loads it will become economic not to opt for the NTS Optional Commodity Rate.

In practice the User nominates an Exit Point and a relevant (non-storage) Entry Point. Users can nominate a number of Exit Points against the same Entry Point but cannot nominate multiple Entry Points to the same Exit Point. The NTS Optional Commodity Rate is levied on the smaller of the two daily User allocations at these points, with the assumption made that any 'extra' gas must have come from another Entry Point or alternatively flowed to another Exit Point. For the purposes of invoicing all Exit throughput is charged at the NTS Optional Commodity Rate with a reconciliation carried out a month later based on actual flows at these nominated points. To nominate an Exit Point for the NTS Optional Commodity Rate please contact the Unique Sites team at Xoserve.

The NTS Optional Commodity Rate (in pence per kWh) is site specific and is calculated by the following equation:

$$1203 \times [(M)^{-0.834}] \times D + 363 \times (M)^{-0.654}$$

Where:

D = the direct distance from the site or non-National Grid NTS pipeline to the Specified Entry Point in km;

M = Maximum NTS Exit Point Offtake Rate (MNEPOR) converted into kWh/day at the site; and

^ = to the power of

8 Consultation Responses

Of the 19 representations received 14 supported implementation, 1 offered qualified support, 1 provided comments and 3 were not in support.

Representations were received from the following parties:

Organisation	Response	Relevant CM Objectives	Key Points
British Gas Trading Ltd	Support	b - positive e - positive	<ul style="list-style-type: none"> This modification seeks to apply UNC modification processes and controls to the Optional Commodity Charge formula and will therefore promote greater transparency and rigour for the charging methodology on which it is based. This is consistent with the treatment of other transportation charges. Formal change governance arrangements are required for the formula to effectively advertise proposals for change, allow parties other than National Grid NTS to propose changes, ensure that impact assessments are made where appropriate, and that the Authority is formally engaged in the change process. Agrees Self-Governance status is appropriate.
BP Gas Marketing	Support	b – positive e - positive	<ul style="list-style-type: none"> Placing the NTS Optional Commodity Charge formula within the UNC means that the formula will be subject to formal UNC governance, any proposed

			<p>change would have to be consulted upon, and any interested party could propose a change and not just National Grid NTS.</p> <ul style="list-style-type: none"> • Agrees Self-Governance status is appropriate.
EDF Energy	Oppose	<p>b - negative e - none</p>	<ul style="list-style-type: none"> • This modification has been raised following the GCD11 review, a year-long industry process where National Grid NTS diligently reviewed and consulted with shippers, through its tried and tested charging review arrangements, on the accuracy of the inputs behind the NTS Optional Commodity charge. • National Grid NTS licence already requires it to maintain cost-reflective charges that better facilitate the relevant methodology objectives. This modification has not demonstrated that it better meets the relevant objectives given the risks. • The modification will essentially place a fixed Shorthaul price into the UNC and this is not in line with the existing principles applied to other charges such as NTS Exit/Entry capacity and commodity charges. • There are risks for copying and pasting the formula in the UNC without proper understanding of how and when it can be changed. It should only be incorporated into the UNC once the methodology and process for making changes to it is fully investigated and understood as it could constrain National Grid NTS ability to meet their charging obligations and notice periods under their licence. • A modification would be required each year to update the inputs to reflect market costs or a modification to introduce methodology to allow automatic updates. • A better solution would have been to introduce into the UNC an agreed methodology for changing the fixed values in the formula rather than the whole formula itself, along with a process for making these changes each year. This would enable National Grid to update the charge automatically in line with their Licence obligations; similar to how Entry/ Exit charges are set. • Does not agree with self-governance given the materiality of the issues; namely it doesn't take into account the implications for consumers in changing the UNC each year to update the charge and undermining of £30m of better cost targeting and competition benefits identified through GCD11 • Cannot see how this modification can be implemented without a further review of its implications and cost to consumers as a "simple lift and shift" of the formula into the UNC has further consequences that have not been thoroughly thought through.
Energy UK	Support	<p>b - positive e - positive</p>	<ul style="list-style-type: none"> • This modification will provide for more appropriate governance of the Optional Commodity Charge (OCC) formula and parameters than is currently the case, where National Grid NTS can unilaterally progress such changes.

			<ul style="list-style-type: none"> • If this modification is implemented the OCC does not become fixed rather any changes will be subject to robust UNC governance and oversight by Ofgem consistent with other charges. • Parties other than National Grid NTS could propose changes, again consistent with other charges and principles of open governance. • Agrees Self-Governance status is appropriate.
Eni Trading & Shipping SpA	Support	b - positive e - positive	<ul style="list-style-type: none"> • Believes that the right way forward is for the NTS Optional Commodity Charge to be moved from the National Grid NTS Transportation Statement to the UNC TPD, Section Y, as any party will be able to propose a change to the formula rather than just National Grid NTS . • Agrees Self-Governance status is appropriate.
Exxon Mobil Gas Marketing Europe Limited	Support	b – positive e - positive	<ul style="list-style-type: none"> • Believes moving the NTS Optional Commodity Charge Formula into the UNC will enable better governance, facilitate stakeholders’ involvement and improve transparency over the updates and changes of the tariff formula and its parameters. • Agrees Self-Governance status is appropriate.
Gazprom Energy	Support	b - positive e - positive	<ul style="list-style-type: none"> • Believes it is important to bring the NTS Optional Commodity Charge Formula into the UNC so that National Grid NTS cannot change it unilaterally without appropriate consultation with the industry or oversight by the Regulator. • Agrees Self-Governance status is appropriate.
National Grid Distribution	Oppose	b – None e - None	<ul style="list-style-type: none"> • Sympathise with the need for appropriate governance around the methodology of the Optional Commodity Charge (OCC) within TPD Section Y of the UNC, however based upon the fundamental principle that it effectively places a fixed unit price into the UNC, such a move would be entirely inconsistent with existing capacity and commodity based charging principles and would set a precedent that detracts from the ability of the Transporter to set its charges without subsequent approval from parties to the UNC. • Does not believe the modification should be self-governance, as it impacts upon the commercial activities connected with the transportation of gas. If such a proposal were implemented, it would remove the ability for National Grid NTS to update the OCC formula, which calculates the OCC unit rates to produce more cost reflective values. The impact is such that the full year-on-year movements in revenue (such as RPI Indexation) can only be apportioned to traditional entry and exit commodity users. Therefore, removing the ability of the National Grid NTS to alter the OCC unit rates has the potential to increase the level of cross-subsidy between users of the NTS. The options in GCD11 would potentially increase OCC revenue by c£30m which is a step towards reducing the amount recovered through traditional commodity charges.

			<ul style="list-style-type: none"> • Implementation of the modification does not provide additional market certainty but conversely could add additional uncertainty given that it provides the ability for any parties to the UNC to propose changes the formula that calculates the unit rates by raising a subsequent modification. It is presently only possible for National Grid NTS to change the OCC unit rates (and indeed any other unit rate), and only twice in any charging year in either April or October in line with the UNC and Licence. • Notes that no reference has been made as to how subsequent modifications may detract from the ability of National Grid NTS to meet their licence obligations regarding charging notification periods given that any party to the UNC may be able to seek changes to OCC unit rates during the year. • Although the modification is a 'lift and shift' of the existing formula from the Transportation Statement into the UNC, the resulting move impacts the commercial activities connected with the transportation of gas conveyed through pipes and impacts the ability of National Grid NTS to set appropriate commodity unit charges given that the OCC formula that calculates the OCC rates will effectively be placed directly into UNC at a fixed level. • Charging review GCD11 (Optional Commodity Charge) would be delayed by this modification.
National Grid NTS	Qualified Support	b – impacted e - none	<ul style="list-style-type: none"> • Putting the NTS Optional Commodity charge formula into the UNC is good governance, which National Grid NTS consider would be a positive step. The modification proposes to place a fixed price into the UNC, which goes against the relevant objectives. • The modification is not in keeping with the principles for updating other charges outlined in the UNC (such as NTS Entry / Exit Capacity and NTS Entry / Exit Commodity charges) as these set out the formula(s) without fixed prices. • Believes there is merit in looking to harmonise the governance approach by including the NTS Optional Commodity charge formula into the UNC but that this should not include fixed prices. • Believes that the methodology would remain unchanged and that as the methodology is currently published there is no improvement with regards to the transparency of the NTS Optional Commodity charge over the current arrangements. • Does not agree that this modification should be self-governance as there may be a material impact on consumers. Moving the existing NTS Optional Commodity charge formula from The Statement of Gas Transmission Transportation Charges to UNC Section Y, essentially places a fixed price into the UNC. This means that a UNC modification is required whenever National Grid NTS seeks to update the charge (not simply when seeking to amend the formula), which is not in keeping with all other charges.

			<ul style="list-style-type: none"> Impacts the ability to regularly update charges to be more cost reflective without the need for UNC changes, for example through updating cost inputs, and may materially affect consumers over time as it locks in a fixed tariff for those on the NTS Optional Commodity charge and this would be paid for by those not on the NTS Optional Commodity charge. Believe that further industry discussions are required regarding updating the NTS Optional Commodity charge.
Northern Gas Networks	Comments	b – impacted e – none	<ul style="list-style-type: none"> See the benefits of introducing the methodology into the UNC, however this would mean any future changes to the charges would require a modification. Considers methodologies are already transparent as there is a significant pricing window already in existence that allows scrutiny of any pricing changes. Notice periods already exist when the charges are updated, considers this is a more efficient way of providing accountability and transparency than the UNC process, which is not best practice for updating charges. Including all the formula in the UNC is inconsistent with other parts of the UNC, which focus on including methodologies. Have concerns about the principle potentially established through this modification. Does not believe the proposed modification should be self-governance.
Oil and Gas UK	Support	b – positive e - positive	<ul style="list-style-type: none"> Believes in moving the NTS Optional Commodity Charge (OCC) into the UNC. The modification would subject any change to the formula used to calculate the OCC, to proper industry scrutiny and consultation. In doing so, it would bring the OCC within proper governance procedures, which are lacking in the current arrangements. Agrees Self-Governance status is appropriate.
RWE Supply & Trading	Support	b – positive e - positive	<ul style="list-style-type: none"> Agrees implementing this modification will introduce a positive change into the governance arrangements for proposing updates to the NTS Optional Commodity charge. It will align the NTS Optional Commodity with other charging functions in UNC TPD, Section Y and changes will be subject to increased industry and regulatory oversight. Agrees Self-Governance status is appropriate.
ScottishPower	Support	b – positive e – positive	<ul style="list-style-type: none"> Believes that it is a fundamental principle of robust trading arrangements that they should be subject to appropriate and open governance. This is not the case as regards the Optional Commodity Charge Formula, changes to which can be initiated and implemented by National Grid NTS entirely unilaterally and without stakeholder input or regulatory oversight. Having this formula subject to UNC governance arrangements will ensure that this flaw is remedied and that going forward any proposed change is subject to appropriate scrutiny and development by stakeholders. Furthermore it will

			<p>ensure that there is a measure of regulatory endorsement from Ofgem.</p> <ul style="list-style-type: none"> • Believes no change is being made to the substantive impact or workings of the NTS Optional Commodity Charge or related formula. The only change being effected is to ensure that those are subject to appropriate governance. Therefore agrees Self-Governance status is appropriate.
Shell Energy Europe Ltd (SEEL)	Support	b - positive e - positive	<ul style="list-style-type: none"> • Considers this modification required, as at present National Grid NTS apparently has complete freedom to amend the NTS Optional Commodity Charge (OCC) as it deems appropriate. Therefore, shippers and Ofgem have no formal recourse to challenge any changes to the formula, regardless of their impact. Such a situation is unhelpful as it can lead to uncertainty, as well as damaging and arbitrary tariff volatility. • Moving the OCC formula into the UNC will help rectify this problem by ensuring that in terms of robustness, transparency and regulatory oversight, any future revision to or amendment of the formula is brought into line with other transmission charges. • Agrees Self-Governance status is appropriate.
SSE	Support	b - positive e - positive	<ul style="list-style-type: none"> • Considers that the current arrangements lack appropriate Governance, without appropriate consultation with the industry or oversight by the Regulator • Implementing this modification will ensure that a party other than National Grid NTS will also now be able to propose a change to the OCC formula or its parameters, and that any proposed changes will follow the robust governance approach of the UNC. • Agrees Self-Governance status is appropriate.
Statoil UK Ltd	Support	b - positive e - positive	<ul style="list-style-type: none"> • Implementation will ensure the Optional Commodity Charge (Shorthaul) formula can't be changed unilaterally by National Grid NTS and will allow other parties to propose changes. • Notes this is consistent with the treatment of similar transportation charges. • Agrees Self-Governance status is appropriate.
Uniper	Support	b - positive e - positive	<ul style="list-style-type: none"> • Implementation would simply place the existing Optional Commodity ("Shorthaul") formula under the formal governance of the UNC. • Believes this is fully consistent with principles of good governance and transparency, and consistent with Ofgem's previous recommendations (and implementation of several modifications) of bringing gas transportation charging under the governance of the UNC. • Agrees Self-Governance status is appropriate.
VPI Immingham	Support	b - positive e - positive	<ul style="list-style-type: none"> • Under the current arrangements there is a lack of governance and due process compared to other elements of the UNC, which places unnecessary risk

			<p>on those parties who choose to use the Optional Commodity Charge.</p> <ul style="list-style-type: none"> • With the charge making up a large part of users' cost base, it is appropriate that any change is subject to wider consultation with industry and subsequent approval by the Authority. • Believes it is not appropriate for National Grid NTS to have complete autonomy to make changes as it sees fit. • Will align with other good practice around the UNC. • Agrees Self-Governance status is appropriate.
Wales & West Utilities Ltd	Oppose	b - negative e - none	<ul style="list-style-type: none"> • Have concerns that the modification sets an unwelcome precedent of fixing a charging tariff (in preference to the way the tariff is calculated) into code. • Similar formulae, which are currently included within TPD Section Y, such as the LDZ System Entry Commodity Charge, are stated with adjustable parameters (which are adjusted under the governance arrangements afforded through the licence condition SSC A4). • Would be more supportive of a modification, which included the format of the formulae within section Y. This would require industry engagement through the modification process for any changes to the way the formula operates (an improvement in current governance arrangements) but allows for the annual adjustment of components to ensure cost reflectivity is maintained. • The implication of Modification 0563S in its current state is that the opportunity to amend the tariff becomes less efficient, and therefore less likely to occur frequently given the resources required for the full modification process to take place. The consequence of this is that prices are more likely to become less cost-reflective. • The modification seeks to transfer the optional charge formula into the UNC, at its inception, the optional charge formula was intended to be updated annually. • By including the original (and current formula) into code there is an introduction of additional industry engagement to change each parameter. Therefore, if the parameters are no longer perceived to be cost reflective there is a risk that the licence may be in breach of its licence condition SSC A5. • Customers selecting the optional tariff who do not change their SOQ annually are afforded protection from any future price rises in line with any increases in allowed revenue that National Grid NTS may be permitted to collect. The consequence of this is the introduction of a cross subsidy between those not on the optional tariff and those afforded protection by virtue of a fixed tariff altered only by a change in SOQ. • The modification seeks to introduce a pricing formulae which reflects costs from 1999 into code,

			<p>reducing the ability of National Grid NTS to make future charges cost reflective in line with the governance present under SSC A4.</p> <ul style="list-style-type: none"> • Agrees that this modification simply sets out to improve the governance around the ability to amend the Optional Charge Formula. • Does not agree that modification should be self-governance
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Representations are published alongside the Final Modification Report.

9 Panel Discussions

The Panel Chair summarised that Modification 0563S would move the existing formula used to calculate the NTS Optional Commodity Charge - Shorthaul - from the NTS Transportation Statement and place it into the UNC TPD, Section Y.

Members considered the representations made noting that, of the 19 representations received 14 supported implementation, 1 offered qualified support, 1 provided comments and 3 were not in support.

Members considered relevant charging objective b), with some agreeing that implementation would have a positive impact because it harmonises governance with other charging methods as introduced following earlier Code Governance Reviews, and is therefore consistent with good practices elsewhere in the UNC. However others believed that this was not consistent with existing UNC Charging principles, and that to fix formula variables within Code was an undesirable move. Members heard that it was, however, National Grid NTS' imminent intention to review the Shorthaul arrangements and this subsequent review could address the perceived difficulties; with this knowledge there was general agreement that having UNC governance for a subsequent Shorthaul modification would be consistent with current expectations of the industry.

Members considered relevant objective e), agreeing that implementation would have a positive impact as it will provide Ofgem a means of approving the Optional Commodity Charge, which is currently denied, thereby improving compliance with Regulation 715/2009.

Members noted that a number of parties believed that this modification should not be self-governance as there could be a material impact on consumers. After further consideration, Members ratified their earlier view that simply applying UNC governance to an existing charging formula did not have a material impact on consumers.

Members voted, with 6 votes in favour (out of a possible 11), to implement Modification 0563S.

10 Recommendation

Panel Recommendation

Having considered the Modification Report, the Panel determined:

- that proposed self-governance Modification 0563S should be made.