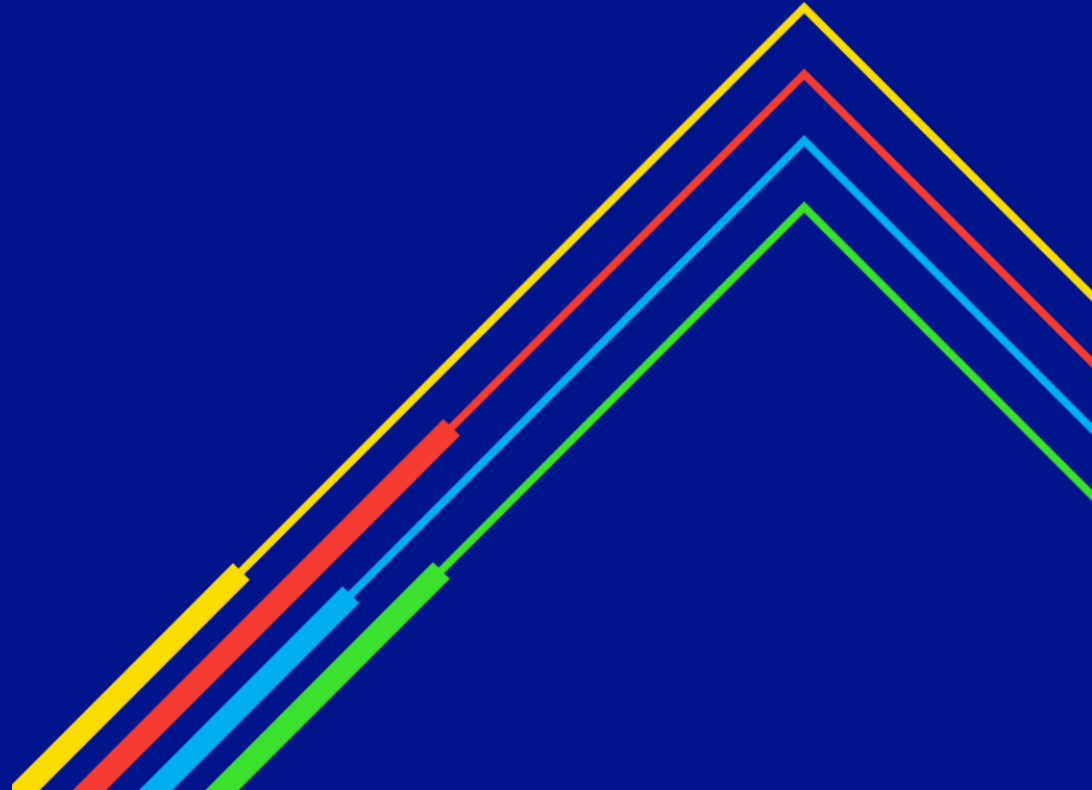


Capacity Assignment Pre-Modifications

Transmission Workgroup

3rd December 2020

nationalgrid



Background

Industry representatives have expressed a desire for an Entry Assignment product.

After gathering and considering each of the ideal requirements for such a product, National Grid have agreed to support a modification which caters to some of these.

Where our position differs from those users who may be considering an Alternative, we are happy to discuss practicalities of their proposals ahead of anything being raised.

We have also taken on board the desire for enhancements to the Exit arrangements, with the caveat that they not delay implementation of an Entry solution.

1: Introduction of Entry Assignments

Key Points:

This Modification proposes to introduce the concept of Entry Capacity Assignments

- Liability moves between Shippers along with Capacity.
- Provides users with another tool to enhance profiling of their capacity portfolio
- Reduction in risks associated with holding liability for long-term capacity, giving NG better signals earlier

We are proposing that this is used as a sustained, long-term adjustment

- Modification will enable Assignment of Quarterly and Monthly purchased capacity only

Capacity can be assigned in partial volumes, but must be for the full auction period

- i.e. 1,000 kWh purchased for the month of October. 1 kWh can be assigned to another user, but must be for the full month rather than a single or selected days

The Capacity assigned under this modification will be assigned at the floating price. This is in line with current UNC definitions of Existing Available & Registered Holdings and enables capacity to be assigned and reassigned over and over without need for tagging and tracing of capacity in Gemini.

2: Enhancement of Exit Assignments

Key Points:

We are proposing to raise a separate modification to Enhance the existing Exit Capacity Assignment arrangements

This modification is a refresh of UNC0276 – Partial Assignments, which was previously approved but never implemented

The modification enables partial volume assignment of annual and enduring capacity at the floating price.

Enduring capacity would be assigned in perpetuity, Annual Capacity could be assigned for a single or multiple years.

We anticipate that the Exit solution to have a lower level of complexity and a decreased likelihood of alternatives so could be implemented quicker as a stand-alone Modification.

Should this be the case, a system design and build project could be set up to progress the Exit Enhancements and later incorporate the Entry requirements.

Timelines

Our original ambition was for an Oct-2021 implementation; however Spring 2022 is now the more realistic timeline.

To achieve this original ambition we had hoped to use UNC0276 as the basis to kick off an Exit based project, making use of the overlap in the system solutions to expedite the Entry solution. We believe we can still use the work done previously to speed up delivery, but we first need to refresh the Exit modification based on current market conditions.

Uncertainty around RIIO-T2 and future funding mechanisms:

- We do not know the funding mechanisms that will be used for implementation of IT impacts of regulatory change. Therefore, with this uncertainty, it is not appropriate to begin implementing change at risk (i.e. without an approved modification)

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