

UNC 0705R:

Review Group Title: NTS Capacity Access Review



Progress Summary to March 2020

Panel Date: 19th March 2020

Scope of Review



- The Capacity Access Review, (CAR), aims to review the principles of the capacity access arrangements, on a holistic basis, to ensure they are aligned to further needs of our customers reflect developments on the NTS
- Scope will continue to evolve:
 - Will include: Entry and Exit Capacity regimes, follow on from RII02 discussions
 - Will not include: “Wider” access topics such as NExA’s/NEA’s, Gas Quality and NTSCMF areas of focus, (e.g. 50/50 revenue split between Entry and Exit)
- Develop the long-term strategy to help guide the direction of the CAR and ensure that short-term problems are resolved consistently with long-term goals.

Long-term Strategy



The long-term strategy is being developed in three layers:

1. **Ambition Statement:** features a future regime should aspire to meet
*“The future capacity access regime will be **compliant** with any relevant obligations. It will be **flexible** to changing market conditions, regimes, requirements and physical network developments. It will be **simple** and will **enable** new entrants to access the market **easily and efficiently**. It will not unfairly discriminate. It will provide **cost effective** products which drive **consumer value**. It will be **dynamic** and **adaptable** to accommodate new technologies and sources of gas to the NTS as progression is made to meet decarbonisation targets.”**
2. **Functions:** “what” is needed from a future regime:
 - Signal a need for capacity requirements
 - Manage network access where there is a short-term constraint
 - Provide Users with commercial certainty on network access
 - Collect transporter allowed revenue
 - Enable existing Users and new entrants, including new sources of gas and technologies, to easily and efficiently access the NTS
3. **Principles:** “how” the functions will be delivered, (to be developed alongside GMaP):
 - Held informal consultation on the long-term strategy
 - Continue to cross-check consistency throughout duration of CAR

Long-term Strategy: Consultation Feedback



- 14 responses
- Request to make the Ambition Statement more concise and provide better clarity
- Broad agreement with the functions
 - Lowest agreement score “collect transporter allowed revenue”
 - Easily and Efficient access to NTS should be for all parties, not just new entrants. Amended function.
 - Overlaps with the Charging Review highlighted (commercial certainty but not necessarily financial certainty)
 - More flexible products requested
 - Feedback received that may not be resolved through CAR (i.e. Constraints)
- Greater clarity provided on the short-term issues identified
 - Inclusion of two new areas; trading and system capabilities
- Agreement around the overlap between short-term issues and long-term regime. “Principles” to be developed as part of GMaP

Short-term Issues (Grouped by Workstream)



		Governance	System Capabilities
A	Overruns	<p>Are Over-run charges appropriate?</p> <ul style="list-style-type: none"> Is the incentive appropriate particularly with the introduction of the Charging Review. Anomaly that zero over-run charge maybe possible Longer-term: review basis of overrun charges in light of change of behaviours following Charging Review 	
B	Signalling & Allocation of Capacity	<p>Are the PARCA processes (including User Commitment) appropriate?</p> <ul style="list-style-type: none"> Can the timescales for the substitution process be reduced? Can rules be made clearer, simpler? More clarity on process methodology. 	<p>Enhancements to system capabilities required</p>
		<p>Are the substitution processes (including User Commitment) appropriate?</p> <ul style="list-style-type: none"> Affected Users able to respond to potential Substitution considered during the Annual Application Window Exchanges of NTS exit capacity between NTS exit points within same exit zone where capacity does not go above baseline Should User Commitment be applied to every enduring capacity release? 	
		<p>Could a zonal capacity regime be introduced?</p> <p>Are there any issues with Trade and Transfer? Are Retainers still required?</p> <ul style="list-style-type: none"> Could a zonal capacity regime be an alternative? 	
C	Capacity Products & Auctions	<p>Are new products required or redundant products?</p> <ul style="list-style-type: none"> Development of a "mothballed" capacity product following baseline review at Theddlethorpe Within day, shorter term capacity product development Incentive for advance, long-term capacity bookings? Disaggregating NTS Exit capacity purchases for embedded "large" offtakes from DN capacity bookings. Temperature / seasonal based product Flexibility product 	<p>Greater automation of the Gemini system</p>
D	Trading	<p>Are additional mechanisms required to aid trading of capacity</p> <ul style="list-style-type: none"> Development of a "tradeable" capacity product Liability of Traded Capacity 	
		Are the rules contained in the right place?	

Overruns (Workstream A)



- An outcome of the Charging Review (UNC Modification 0678A) is that a higher proportion of revenue will be recovered through capacity charges.
- A consequence of this could result in significant increase in the average Overrun Charge for both Entry and Exit
- National Grid raised UNC Modification 0716: Revision of Overrun Charge Multiplier
- The aim of the modification is to maintain the status quo in level of incentive for Users to accurately book their required capacity.
- The proposal aims to achieve this through reduction of the Overrun multiplier.
- Modification is currently with Workgroup for further development

Signaling and Allocation of Capacity



- The issues identified within Workstream B, “Signaling and Allocation of Capacity” are interlinked, hence being considered together:
 - Flexible, adaptable and more efficient use of existing capacity
 - Greater use of unsold capacity
 - Entry Capacity Release
 - PARCA
 - User Commitment
 - Substitution
- Options are currently being discussed within Transmission Workgroup, this includes zonal arrangements.

Engagement



- It is recognised that the CAR is predominantly being progressed through Transmission Workgroup but attendees only represent a small subset of the industry.
- These developments are / will be further disseminated through the following channels:
 - Webinar(s)
 - Informal Consultation
 - Industry Forums: Gas Storage Operators Group, Gas Operational Forum, Future of Gas Forum
 - RIIO2 Engagement
 - Sector Specific engagement
 - Bilateral Discussions

Aspirations



By October 2020:

- Have developed “Market Issues Reports” for the long-term development of the capacity regime in line with GMaP
- Implemented Modification 0716: Revision of Overrun Charge Multiplier
- Have identified a preferred option(s) for the issues identified under “Signaling and Allocation of Capacity” work-stream and be in implementation stage
- Have developed a series of “1 pagers” to outline requirements for remaining issues
- Continual stakeholder engagement