

UNC Modification		At what stage is this document in the process?
<h1>UNC 0696A:</h1> <h2>Aligning Capacity booking under the UNC and arrangements set out in relevant NExAs</h2>		<div style="display: flex; flex-direction: column; gap: 10px;"> <div style="border: 2px solid green; border-radius: 10px; padding: 5px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em; margin-right: 5px;">01</span> <span>Modification</span> </div> <div style="border: 2px solid blue; border-radius: 10px; padding: 5px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em; margin-right: 5px;">02</span> <span>Workgroup Report</span> </div> <div style="border: 2px solid purple; border-radius: 10px; padding: 5px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em; margin-right: 5px;">03</span> <span>Draft Modification Report</span> </div> <div style="border: 2px solid orange; border-radius: 10px; padding: 5px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em; margin-right: 5px;">04</span> <span>Final Modification Report</span> </div> </div>
<p><b>Purpose of Modification:</b> To improve visibility where a consumer has entered into a bi-lateral Network Exit Agreement (NExA) with the relevant Transporter, and to link capacity increased with the NExA so that the allowed capacity does not exceed the capacity as agreed in the NExA</p>		
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>considered a material change and not subject to self-governance</li> <li>assessed by a Workgroup</li> </ul> <p>This modification will be presented by the Proposer to the Panel on 15<sup>th</sup> August 2019. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>	
	<p>High Impact: Transporters, Shippers and Consumers</p>	
	<p>Medium Impact:</p>	
	<p>Low Impact:</p>	

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10	Recommendations	6	Systems Provider: Xoserve  <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>
Timetable			
<b>The Proposer recommends the following timetable:</b>			
Initial consideration by Workgroup	22 August 2019		
Workgroup Report presented to Panel	19 December 2019		
Draft Modification Report issued for consultation	20 December 2019		
Consultation Close-out for representations	25 January 2020 (20 days to allow for holidays)		
Final Modification Report available for Panel	20 February 2020		
Modification Panel decision	27 February 2020		

## 1 Summary

### What

There is no process to ensure that the daily capacity allowed in a NExA (which is a contract between the site operator and the Transporter) and that allowed by the UNC (which is contract between the Relevant Shipper and the relevant Transporter) are aligned. This can result in discrepancies where the Shipper books more capacity on the System than the consumer is allowed to use. Conversely the capacity ratchet process may allow Shippers to ratchet up capacity to greater than that allowed by the NExA

This proposed modification differs from 0696 in three ways

- 1) It is not retrospective
- 2) It includes all Supply Points on DN networks and all classes
- 3) Where a NExA exists and states maximum daily capacity, the System Capacity is to be capped in line with this, with the effect that PMSOQ is not increased above the NExA value.

### Why

This change will ensure that System capacity is consistent with that allowed by the NExA where one is in place. Where a NExA is not in place then the current processes will apply.

### How

It is proposed that any new or additional capacity requested under the UNC should only take effect from the date set out in the NExA and capacity cannot ratchet above that allowed by the NExA. This process would apply, post faster switching, to both CSS and non-CSS DN connected Supply Points.

## 2 Governance

### Justification for Authority Direction

As the proposal has a material impact on the Transportation arrangements for Shippers and relevant consumers, it should, we believe, be subject to **Authority Direction**.

### 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?

### Issue

There is no process to ensure that the daily capacity allowed in a NExA (which is a contract between the site operator and the Transporter) and that allowed by the UNC (which is contract between the Relevant Shipper and the relevant Transporter) are aligned. This can result in discrepancies where the Shipper books more capacity on the System than the customer is allowed to use. Conversely the capacity ratchet process may allow Shippers to ratchet up capacity to greater than that allowed by the NExA.

The potential existence of NExAs is well known in the industry and Shippers should ask customers whether one is in place as part of any discussions with them about capacity. Equally transporters could reasonably be expected to check requests for increases in capacity against NExAs. The existence of NExAs are not flagged in central systems so they may be missed. Where previously NExAs were predominantly used for very large sites or sites mandated in UNC they are now increasingly used for small but intermittent or unpredictable within-day consumption sites, for example power generation plants, some of which may be Class 3 or 4 Supply Points. This lack of transparency is an undesirable state of affairs.

The Supply Point Ratchet process equally does not take any account of NExAs and currently a Supply Point can use the ratchet process to increase its System Capacity to above that stated in a NExA.

## 4 Code Specific Matters

### Reference Documents

A sample of a Northern Gas Networks Site Specific NExA is attached. This is provided with the caveat that there are multiple types of NExAs and these, and the content, can differ between DNs, and is therefore attached for general information purposes.

### Knowledge/Skills

## 5 Solution

### Solution

It is proposed that any new or additional capacity for Supply Meter Points (excluding NTS Supply Points) requested under the UNC should only take effect from the date set out in the NExA. Where a site ratchets then the System capacity cannot ratchet above that listed in a NExA should one exist.

### Business Rule 1

For Class 1 and 2 Supply Points: Any requests for new or additional System capacity made by the Shipper shall not, where a relevant NExA exists, exceed the daily offtake rate and SHQ set out in the NEXA.

### Business Rule 2

For Class 3 and 4 Supply Points: Any AQ changes shall be capped to ensure that the chargeable capacity does not exceed the daily offtake rate set out in the NExA.

### Business Rule 3

For a Class 1 and 2 Supply Points the System Capacity shall not ratchet above the daily offtake rate set out in the NExA.

## 6 Impacts & Other Considerations

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

None

### Consumer Impacts

Impacts consumers who are party to NExA arrangements and wish to amend their capacity requirements.

### Cross Code Impacts

There should be no known impacts on other Codes.

### EU Code Impacts

None

### Central Systems Impacts

There may be Central System impacts to put in place the processes for Class 3 and Class 4. There are options around how it is implemented for Class 1 and 2, this could range from no change, to having a flag in UK Link indicating that a NExA exists to have a system check on capacity referrals to check the NExA values against the capacity requested and against any ratchet capacity calculations.

## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	
a) Efficient and economic operation of the pipe-line system.	Positive
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.	Positive
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.	None
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.	Positive
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

Ensuring that where a NExA exists is linked to capacity increases will protect the integrity of the Transporters pipeline, aiding in preventing sites from overtaking capacity where this would cause an issue to the network and to other customers connected to the same part of the network. We feel this modification would further both relevant objective a) and c) in this respect.

We also believe this modification would positively impact relevant objective f, by giving visibility where a NExA exists thereby enhancing the requirements relating to NExAs under UNC section J.

## 8 Implementation

If Central System changes are required, it seems unlikely that this change will be implemented before June 2020. The CDSP will need to consider the solution design before the implementation date can be determined

## 9 . Legal Text

To be provided by Transporters.

## 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.