













UNC Modification	At what stage is this document in the process?
<h1>UNC 0696:</h1> <h2>Addressing inequities between Capacity booking under the UNC and arrangements set out in relevant NExAs</h2>	<div> <div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div> </div>
<p>Purpose of Modification: To the extent to which a Consumer has entered into a bi-lateral Network Exit Agreement (NExA) with the relevant Transporter then any new or additional capacity charging should only apply from the relevant date set out in the NExA.</p>	
	<p>The Workgroup was unable to reach a consensus to provide a recommendation to Panel on the proposed next steps, with some participants requesting additional time for assessment and others wanting the Modification to progress to consultation.</p> <p>The Panel will consider this Workgroup Report on 18 July 2019. The Panel will consider the recommendations and determine the appropriate next steps.</p>
	<p>High Impact:</p> <p>Transporters, Shippers and Consumers</p>
	<p>Medium Impact:</p> <p>None</p>
	<p>Low Impact:</p> <p>None</p>

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Timetable		 0121 288 2107
The Proposer recommends the following timetable:		Proposer: Steve Mulinganie Gazprom Energy
Initial consideration by Workgroup	27 June 2019	 enquiries@gasgovernance.co.uk
Workgroup Report presented to Panel	18 July 2019	 Steve.Mulinganie@gazprom-energy.com
Draft Modification Report issued for consultation	TBC	 0799 0972568
Consultation Close-out for representations	TBC	Transporter: Richard Pomroy Wales & West Utilities
Final Modification Report available for Panel	TBC	 richard.pomroy@wwutilities.co.uk
Modification Panel decision	TBC	 029 2027 8552
		Systems Provider: Xoserve
		 UKLink@xoserve.com

1 Summary

What

An inequity has been identified between the arrangements for capacity as set out in the NExA which can be a bilateral agreement between the Transporter and the Consumer or a Tripartite agreement including the Shipper and the UNC which is an agreement between the Shippers and Transporters.

Context

An example of the issues identified in this Modification is set out in Section 3 and provides the context for the proposed changes to the UNC. A consumer has been disadvantaged by the inconsistencies in the Capacity Referral process not taking into account the limitations set out by the relevant Transporter in the NExA.

Why

If the change is not made, then relevant Consumers will continue to be at risk of incurring charges under the UNC whilst being prohibited from benefiting from the new or additional capacity under the terms of the NExA.

How

It is proposed that any new or additional capacity requested under the UNC should only be chargeable from the date set out in the NExA.

2 Governance

Justification for Self-Governance, Authority Direction or Urgency

The Modification Panel determined that as the proposal has a material impact on the Transportation arrangements for Shippers and relevant consumers and proposes a limited element of retrospection, it should be subject to **Authority Direction**.

Requested Next Steps

This modification should:

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

The Workgroup was unable to reach a consensus to provide a recommendation to Panel on the proposed next steps, with some participants requesting additional time for assessment and others wanting the Modification to progress to consultation.

Some participants suggested an additional two months was required to allow for the development of robust business rules, Legal Text and for supporting analysis to be provided to justify retrospective implementation. Other participants were of the view that the Modification sets out the reasons for retrospective implementation and should therefore progress to consultation.

3 Why Change?

Issue

An inequity has been identified between the arrangements for Capacity as set out in the Network Exit Agreement (NExA) which can be a bilateral agreement between the relevant Transporter and the relevant Consumer or a tripartite arrangement including the Shipper, and the Uniform Network Code (UNC) which is an agreement between Shippers and Transporters. Following discussions with the relevant Transporter who may be the only party to both sets of arrangements, an inequity in the current arrangements has been identified which needs to be addressed to enable an equitable outcome for the Consumer and to avoid similar occurrences of Consumer detriment in the future.

Background

Customer A entered into arrangements to increase Capacity at one of their sites with Transporter B.

As the site is a major industrial site (Class 1) this involved considerable effort both in the form of resources, surveys, undertakings, and negotiation between Customer A and Transporter B. Due to this complexity the date that additional gas was required to be available was dynamic in nature.

Customer A was already subject to a NExA with Transporter B.

Transporter B and Customer A finally agreed bilaterally that the additional gas should be available for offtake from 1st December 2018 and a variation to the existing NExA was issued to the customer to this effect.

However, during the project, prior to the variation to the NExA being finalised, a Capacity increase was proceeded by Shipper C (in this case the current Shipper) for a date prior to the 1st December 2018. This was due to both the dynamic nature of the project and pressure to ensure Capacity was available in a timely manner and to avoid the risk of ratchet charges being applied by Transporter B under the UNC i.e. if the site was to use the increased capacity prior to a capacity increase being approved the site would have been subject to penal Ratchet charges.

This capacity increase request was referred to Transporter B.

Despite Transporter B being party to the terms of the revised NExA negotiations and thus aware that this only allowed for offtake from 1st December the referral was accepted for a date prior to the 1st December and the increase registered prior to the 1st December 2018.

This has led to the Customer being charged hundreds of thousands of pounds for additional Capacity that they were prohibited, under the terms of the NExA, from taking prior to the 1st December.

For the avoidance of doubt detailed discussions have taken place to seek to address this matter. However, it has been noted that the current drafting in the UNC needs to be amended to enable an equitable resolution.

This proposal would ensure that Shippers and Customers are not subject to this unfair charging risk in future and would also seek to recover the costs unfairly levied against Shipper C and Customer A i.e. the proposal has a limited degree of retrospection.

4 Code Specific Matters

Reference Documents

Network Exit Agreement (NExA) – to be provided

Knowledge/Skills

5 Solution

Solution

It is proposed that any new or additional capacity requested under the UNC should only be chargeable from the date set out in the NExA.

Business Rule 1

Any requests for new or additional capacity shall, were a relevant NExA exists, only be chargeable from the relevant date set out in the NExA.

Business Rule 2

This change would be effective from [1st September 2018].

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.

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	<ul style="list-style-type: none">• Large non-domestic Consumers?• Very Large Consumers
What costs or benefits will pass through to them?	<ul style="list-style-type: none">• If implemented this Modification would benefit consumers as it would remove a risk of potential charging for capacity, they are prevented from using by the terms of the NExA.• If implemented retrospectively, this would benefit consumer who have previously paid for capacity they were unable to use.

When will these costs/benefits impact upon consumers?	<ul style="list-style-type: none"> Immediately following implementation.
Are there any other Consumer Impacts?	None identified.

Cross Code Impacts

There should be no known impacts on other Codes

EU Code Impacts

None

Central Systems Impacts

There should be no Central System impacts as this proposal can be addressed as part of the existing Transporter referral process.

Workgroup Impact Assessment

See Section 2 Governance.

Rough Order of Magnitude (ROM) Assessment

A ROM has not been requested as there are no impacts identified on Central Systems.

Rough Order of Magnitude (ROM) Assessment *(Workgroup assessment of costs)*

Cost estimate from CDSP	Insert text here
Insert Subheading here	Insert text here

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of <ul style="list-style-type: none"> (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
Demonstration of how the Relevant Objectives are furthered inserted here	
Relevant c): Implementation of this Modification would further this Relevant Objective as it would ensure Transporters	
Relevant Objective f): Implementation of this Modification would further this Relevant Objective as it would ensure the alignment of provisions in both the NExA and UNC to ensure capacity is not booked that cant be used by the consumer.	

8 Implementation

No implementation timescales are proposed and as there are no known Central System Impacts, implementation could be immediately following Authority Direction to implement the Modification.

9 Legal Text

Legal Text was not available for consideration by the Workgroup due to the limited development time allocated by Panel

Text Commentary

Not available

Text

Not available

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup was unable to reach a consensus to provide a recommendation to Panel on the proposed next steps, with some participants requesting additional time for assessment and others wanting the Modification to progress to consultation.

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