










UNC Modification	At what stage is this document in the process?
<h1 data-bbox="134 322 691 414">UNC 0XXX:</h1> <h2 data-bbox="134 450 1145 591">Single sided nomination for clearing houses of gas exchanges</h2>	<div data-bbox="1209 309 1468 627"> <div data-bbox="1209 309 1468 380">01 Modification</div> <div data-bbox="1209 392 1468 463">02 Workgroup Report</div> <div data-bbox="1209 474 1468 546">03 Draft Modification Report</div> <div data-bbox="1209 557 1468 629">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>Improve security and effectivity of the gas market by making single sided nominations possible for clearing houses of gas exchanges.</p>	
<p><b>Next Steps:</b></p> <p>The proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>• Considered a change 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 <b>4th April 2024</b>. The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
<p><b>Impacted Parties:</b></p> <p>High: National Gas and Xoserve</p> <p>Low: Shippers trading on gas exchanges</p> <p>None: Shippers not trading on gas exchanges</p>	
<p><b>Impacted Codes:</b></p> <p>No other codes affected</p>	

Contents		?	Any questions?
1	Summary	3	Contact: Joint Office of Gas Transporters
2	Governance	3	 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
3	Why Change?	3	 0121 288 2107
4	Code Specific Matters	4	Proposer: Francois Gonsior Head of Physical Settlement Operations European Commodity Clearing AG
5	Solution	4	 <a href="mailto:francois.gonsior@ecc.de">francois.gonsior@ecc.de</a>
6	Impacts & Other Considerations	5	 +49 341 24680514
7	Relevant Objectives	6	Transporter: European Commodity Clearing AG
8	Implementation	7	 <a href="mailto:physical-settlement@ecc.de">physical-settlement@ecc.de</a>
9	Legal Text	7	 +49 341 24680345
10	Recommendations	8	Systems Provider: Xoserve  <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>
<b>Timetable</b>			Other: Thomas Haffke  <a href="mailto:thomas.haffke@ecc.de">thomas.haffke@ecc.de</a>
<i>Please provide proposer contacts and an indicative timeline. The Code Administrator will update the contents and provide any additional Specific Code Contacts.</i>			 +49 341 24680128
<b>Modification timetable: (amend as appropriate)</b>			
Pre-Modification Discussed	4 <sup>th</sup> April 2024		
Date Modification Raised	5 <sup>th</sup> April 2024		
New Modification to be considered by Panel	18 <sup>th</sup> April 2024		
First Workgroup Meeting	2 <sup>nd</sup> May 2024		
Workgroup Report to be presented to Panel	15 <sup>th</sup> August 2024		
Draft Modification Report issued for consultation	16 <sup>th</sup> August 2024		
Consultation Close-out for representations	9 <sup>th</sup> September 2024		
Final Modification Report available for Panel	11 <sup>th</sup> September 2024		
Modification Panel decision	19 <sup>th</sup> September 2024		

## 1 Summary

### What

Rights for single sided nominations of trade nominations by clearing houses of gas exchanges. Currently clearing houses of gas exchanges need to nominate both client side and clearing house side because of double sided nomination without exception. This requires clearing houses of gas exchange to maintain a dedicated account for every customer, which is not an efficient and safe design and prone to potential errors.

### Why

Current design is an operational and security risk for the gas market. As well it is a market barrier for gas exchanges and their respective clearing houses.

### How

Enable clearing houses to clear trade nominations with single sided trade nominations.

Enhance UNC Uniform Network Code – Transport Principal Document, Section C – Nominations, 5 Trade Nominations with a paragraph stating the special role of the clearing houses of gas exchanges and giving them the right for single sided nominations of trade nominations.

National Gas and Xoserve adjust their systems in a way that clearing houses can submit single sided nominations for the trading hub, which are accepted by National Gas and Xoserve.

## 2 Governance

### Justification for Self-Governance

Not a fast track because not easy change.

No material change and therefore does not need authority direction.

No urgency in the change.

That is why we choose it to be self-governance change.

### Requested Next Steps

This Modification should:

- be considered a self-governance change
- be assessed by a workgroup.

## 3 Why Change?

Single sided nominations would enormously reduce risk and improve security of the nomination of gas exchange trades.

In the status quo method ECC nominates the clearing house side, as well as the customers side on behalf, maintaining dedicated accounts also for the customers. By this way “Acquiring Trade Nomination” and “Disposing Trade Nomination” are **both** done by ECC.

These accounts are owned by the customers, but maintained by ECC and must not be touched by the customers to ensure their proper functioning. This is prone to errors due to customers accidentally adjusting their account login data.

This is both an IT security risk as well as a risk for operational stability.

As 40% of the UK gas spot market are traded on EEX Gas, with increasing numbers of customers and growing volumes, a better, more sustainable and safer solution is needed.

ECC has rights for single sided nominations in every other gas market but the UK. It is basically essential for safe trading of gas on an exchange.

Therefore, ECC requests the introduction of single sided nominations for clearing houses of gas exchanges.

## 4 Code Specific Matters

### Reference Documents

UNC Uniform Network Code – Transport Principal Document, Section C – Nominations, 5 Trade Nominations

### Knowledge/Skills

General understanding of gas trading and nomination processes would be useful.

## 5 Solution

The following paragraph needs to be accompanied with a paragraph stating the single sided nomination rights for trade nominations of clearing houses of gas exchanges, that in their case it is not necessary that both acquiring and disposing trade nominations must be done. But a way of single sided nomination of acquiring and disposing transactions.

*UNC Uniform Network Code – Transport Principal Document*

*Section C – Nominations*

*5 Trade Nominations*

*“5.1.1*

*Where two Users, or (in accordance with paragraph 5.3) National Gas Transmission and a User, agree to do so, they may make in respect of any Day corresponding nominations (respectively a "Disposing Trade Nomination" and an "Acquiring Trade Nomination") for the purposes of paragraph 5.1.3, subject to and in accordance with this paragraph 5.”*

## 6 Impacts & Other Considerations

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

No Impact on SCR.

### Consumer Impacts

Current setup represents an entrance barrier for gas exchanges to the market. The result is lacking competition between gas exchanges. The change would reduce prices of gas trading and therefore prices for the end consumer.

Furthermore, general operational stability of the gas market will improve.

Larger consumers / Shippers, who trade on the exchange will profit from better overall service quality and stability and reduction of operational cost for their own effort maintaining their accounts.

### What is the current consumer experience and what would the new consumer experience be?

Only visible change for the end-consumer might be reduced cost by the overall increase of efficiency and security of the gas trading. Shippers will profit from a more lean and efficient way of gas trading with less risk of imbalances and less IT security risk.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
<p><b>Improved safety and reliability</b></p> <p>Less operational risks</p> <p>Less IT security risks</p> <p>Less operational effort for Shippers and the clearing house of the exchange</p> <p>Higher reliability and safety in total</p>	Positive
<p><b>Lower bills than would otherwise be the case</b></p> <p>Reducing the cost for the operational expenses for the exchange and the shippers who trade on the exchange, reduces also costs that would have to be transferred to consumers</p>	Positive
<p><b>Improved quality of service</b></p> <p>Way more stability on UK gas trading on the exchange</p> <p>Less work for Shippers who trade on the exchange</p>	Positive

<p><b>Benefits for society as a whole</b></p> <p>Gas trading lowers prices and improves supply security. Described improvements on the stability and operational effectiveness of gas trading would benefit society as a whole.</p>	<p>Positive</p>
---	-----------------

**Cross-Code Impacts**

None

**EU Code Impacts**

None

**Central Systems Impacts**

GEMINI / XOSERVE could be affected, needs to be examined.

**7 Relevant Objectives**

**Impact of the Modification on the Transporters' Relevant Objectives:**

Relevant Objective	Identified impact
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.	None
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.	Positive d) (i)
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.	None
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

The proposed change reduces overall imbalance risk, reduces barriers of market entrance in gas trading and improves overall efficiency of operation for shippers and clearing houses of gas exchanges.

<b>Impact of the Modification on the Transporters' Relevant Charging Methodology Objectives:</b>	
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: <ul style="list-style-type: none"> <li>(i) no reserve price is applied, or</li> <li>(ii) that reserve price is set at a level -                             <ul style="list-style-type: none"> <li>(I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and</li> <li>(II) best calculated to promote competition between gas suppliers and between gas shippers;</li> </ul> </li> </ul>	None
b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	None
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.	None

## 8 Implementation

As Self-Governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

## 9 Legal Text

### Text Commentary

To be provided after suitable time

### Text

To be provided after suitable time

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Self-Governance procedures should apply.
- Refer this proposal to a Workgroup for assessment.