UNC Modification	At what stage is this document in the process?

UNC 0772S:

Transparency Improvements to the Process for Changing Gas Quality Limits in NTS Connection Agreements

01 Modification
02 Workgroup Report
03 Draft Modification Report
04 Final Modification Report

Purpose of Modification:

This Modification seeks to improve the transparency of an existing process for facilitating gas quality limit changes to NTS connection agreements. Where National Grid NTS elects to enable such a change via the consent of all Users holding NTS Entry Capacity at the relevant ASEP, wider engagement with industry would be required prior to the contractual change being made.

Next Steps:

The Proposer recommends that this Modification should be:

- subject to self-governance
- assessed by a Workgroup

This Modification will be presented by the Proposer to the Panel on 17 June 2021. The Panel will consider the Proposer's recommendation and determine the appropriate route.

Impacted Parties:

High:

Low: Shippers, Transporters, Consumers

None:

Impacted Codes:

Uniform Network Code

Contents

Timetable

Modification timetable:

Pre-Modification Discussed	03 June 2021
Date Modification Raised	03 June 2021
New Modification to be considered by Panel	17 June 2021
First Workgroup Meeting	01 July 2021
Workgroup Report to be presented to Panel	16 September 2021
Draft Modification Report issued for consultation	16 September 2021
Consultation Close-out for representations	08 October 2021
Final Modification Report available for Panel	15 October 2021
Modification Panel decision	21 October 2021

Any questions?

Contact:
Joint Office of Gas Transporters

enquiries@gasgovernance.co.uk

0121 288 2107

Proposer:
Ashley Adams, National Grid

Ashley.Adams@nationalgrid.com

07813996680

Transporter:
Phil Hobbins, National Grid

Philip.Hobbins@nationalgrid.com

07966 865623

Systems Provider:
Xoserve

UKLink@xoserve.com

Other:
Insert name

email address

telephone

1 Summary

What

This Modification proposes to change one of the UNC processes which enable gas quality limits to be amended between National Grid NTS and a Delivery Facility Operator (DFO). The process in question is where the amendment to the connection agreement may be implemented with the prior agreement in writing of the Users that hold NTS Entry Capacity at the relevant System Entry Point.

Why

The National Grid Gas Markets Plan (GMaP) 'Implementing the Proposed Gas Quality Standards' research project published in Q1 2021 recommended that National Grid NTS should raise this UNC Modification. Based on analysis undertaken throughout the project it was apparent that there is an opportunity to improve existing gas market mechanisms relating to changes in gas quality ranges, to deliver a process that better meets stakeholders needs. Obtaining written consent from Users at the relevant entry location in some cases offers a quick and efficient means by which gas quality limits within Network Entry Provisions between National Grid NTS and a Delivery Facility Operator (DFO) may be amended relative to an 'enabling' Code Modification. However, the GMaP project concluded that this method of change is not sufficiently transparent and is therefore rarely used. With a greater frequency of gas quality limit changes at individual System Entry Points expected in future, improvements to the transparency of this process are desirable to which may enable its wider scale adoption.

How

This Modification proposes changes to UNC TPD Section I 2.2 to add an industry engagement window stage into this process. This stage will provide additional transparency regarding the change and related network analysis, along with providing a means for market participants to raise any concerns they have regarding any proposed change.

If an objection is raised by a User or other industry stakeholder during the engagement window, then the gas quality change would default to the 'enabling modification' process (which is further explained in section 3) for further investigation.

2 Governance

Justification for [Fast Track] Self-Governance, Authority Direction or Urgency

This Modification seeks only to improve the transparency of an existing process with a default to another existing widely used process if an objection is raised. It should therefore be considered as a self-governance Modification since it will not have a material impact on consumers, competition, operation of the pipeline systems, matters relating to sustainable development, safety or security of supply, the management of market or network emergencies, governance procedures, and will not discriminate between different classes of parties to the UNC.

Requested Next Steps

This Modification should:

- be considered a non-material change and subject to self-governance
- be assessed by a Workgroup

3 Why Change?

The need for gas decarbonisation in the coming years is likely to result in gas quality limit changes to connection agreements at individual System Entry Points being proposed more frequently. Going forward, it is therefore desirable for the UNC to have the appropriate market rules to ensure those changes are made in a transparent and efficient way.

The UNC recognises that Users and other market participants may be impacted by a change to a gas quality limit at an NTS Entry Point and provides mechanisms for industry engagement before such changes are implemented between National Grid NTS and a DFO. There are currently four different potential ways to facilitate Network Entry Provisions (which include gas quality limits) to be changed within a connection agreement[1]. These are listed below:

1. **The 'enabling modification' process:** where a UNC Modification is raised to make the gas quality change within a connection agreement. No text is changed within UNC as a result, rather its approval 'authorises' National Grid NTS and the relevant DFO to execute the desired change in the connection agreement. It is an open and transparent process which the industry can fully engage with but is often time-consuming.
2. **National Grid NTS obtains written consent from the Users that hold NTS Entry Capacity at the relevant ASEP**. This may provide speed and efficiency but has a disadvantage that downstream users could be adversely impacted by a change agreed without their knowledge or engagement. Due to this lack of industry transparency, this process is rarely used because wider industry visibility would only emerge upon notification at the end of the process. It is this process that this Modification seeks to improve.
3. **Inert Limits**. The UNC currently allows changes to certain inert levels to be made without industry consultation where the proposed carbon dioxide limit is not more that 2.5% (molar). UNC does not provide for a direct limit on nitrogen content.
4. **Legal Requirements**. Gas quality parameters can be changed within an NTS connection agreement if changes are required to comply with a legal requirement. In this scenario, gas quality changes could be made quickly without industry consultation. This rule allows contractual change to be implemented quickly, for example if a limit or range were to be narrowed/reduced or became no longer applicable.

Of these existing routes, only the lengthy 'enabling modification' process (1 above) is used regularly. In future, the potential exists for a greater frequency of change, increasing the resource burden on the industry. Going forward it would therefore be desirable to have more than one viable market route for changing a gas quality value. The National Grid Gas Markets Plan (GMaP) 'Implementing the Proposed Gas Quality Standards' research project published in Q1 2021 recommended that National Grid NTS should "raise a UNC Modification

[1] A Network Entry Agreement, Interconnection Agreement or Storage Connection Agreement.

to amend signatories of capacity holders change process" (2 above), identifying an opportunity to improve it by retaining its speed and efficiency and supplementing it with additional transparency.

4 Code Specific Matters

Reference Documents

UNC TPD Section I – Entry Requirements

GMaP Implementing the proposed gas quality standards - final report

Knowledge/Skills

No additional knowledge/skills required.

5 Solution

This Modification will enhance the existing process by which gas quality limits in connection agreements may be amended making two changes to the UNC TPD Section I 2.2.

Firstly, where National Grid NTS proposes to seek consent from Users holding NTS Entry Capacity at the relevant ASEP, an industry wide engagement window stage will be added into the process. This would oblige National Grid NTS to publish details regarding the proposed change and the outputs of related network analysis, indicating how deeply into the network the relevant supply source may penetrate, and provide a vehicle for any User or stakeholder to object to the proposed change. This is similar to an established UNC process used when changing the permitted range of a DFO's flow metering. The engagement window will provide the industry with [10 business days] from the date of publication of the proposed change and any related network analysis to present an objection. Secondly, UNC shall state that the gas quality change should default to the 'enabling modification' process in the event of any objection being raised during the prior mentioned engagement window.

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

This Modification aims to provide efficiencies to the gas quality change process by improving the transparency of an existing process and therefore enabling it to be more widely used. By improving the process in such a way, the proposer feels that there will be a benefit to all consumer groups.

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

The process, as it is today, could result in detriment to some consumers who may be sensitive to change in the particular parameter that National Grid are unaware of. If a gas quality parameter change was to be made using this process, downstream parties would have no visibility of a change going through until they were notified at the end of the process. The implementation of this Modification would ensure that such consumers are made aware of, and can engage in, a process they would currently be excluded from.

Impact of the change on Consumer Benefit Areas:

Area	Identified impact
Improved safety and reliability	None
Lower bills than would otherwise be the case A secondary, minor benefit to end consumers provided by this Modification is lower bills than would otherwise be the case. Adding transparency improvements to the process make it suitable to be more widely used than it is at present, removing some of the resource burden on the industry that would be expected if all future changes were to go through the 'Enabling Modification' process. The more efficient use of industry resource could result in savings to be passed on to end consumers of all sizes.	Positive
Reduced environmental damage	None
Improved quality of service The primary consumer benefit provided by this Modification is an improved quality of service. By improving the transparency of an existing process for changing a gas quality parameter industry parties, including larger consumers, will be provided with an opportunity to engage in the process fully and mount an objection if they see fit. The process, as it is today, could result in detriment to some consumers who may be sensitive to change in the particular parameter that National Grid are unaware of as they are currently excluded from the process.	Positive
Benefits for society as a whole	None

Cross-Code Impacts

None.

EU Code Impacts

None.

Central Systems Impacts

None.

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.	None
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
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

The implementation of this proposal will better facilitate the relevant objectives of the UNC:

f) Promotion of efficiency in the implementation and administration of the code:

The implementation of this Modification would enhance the existing process for a gas quality limit change to be made to a connection agreement by making it more transparent. This may result in more regular use of the process which is quicker and less draining on industry resource than the 'enabling modification' process which is currently widely used. In the future, with a potential increase in regulatory change it will be important for gas quality changes to be made quickly and efficiently, where appropriate, the implementation of this modification would provide this .

d) Securing of effective competition between relevant shippers:

The implementation of this Modification would provide the market with more information than they receive today prior to a gas quality limit change being made. This better facilitates a level playing field between entry and exit shippers who may have competing objectives where gas quality is concerned.

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.

No implementation costs for other industry parties are anticipated.

9 Legal Text

Text Commentary

Insert text here.

Text

Insert text here.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

Agree that this Modification is suitable for self-governance procedures; and

Refer this proposal to a Workgroup for assessment.