Joint Office of Gas Transporters

UNC Workgroup Report	At what stage is this document in the process?
# UNC 0779 0779A: ## 0779 - Introduction of Entry Capacity Assignments ## 0779A - Introduction of Entry Capacity Assignments with Defined End Date	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification:

To enable network Users to transfer, in full or in part, both the Capacity and associated financial Liability at an Aggregated System Entry Point (ASEP).

Next Steps:

The Workgroup recommends that this modification should [not] be subject to Self-Governance

The Panel will consider this Workgroup Report on 16 December 2021. The Panel will consider the recommendations and determine the appropriate next steps.

Impacted Parties:

Medium Impact: NTS Users

Impacted Codes:

N/A

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Timetable

Modification timetable:	
0779 Pre-modification Discussion	05 August 2021
0779A Pre-modification Discussion	07 September 2021
0779 Modification considered by Panel	19 August 2021
0779A Modification considered by Panel	16 September 2021
Initial Consideration by Workgroup	07 September 2021
Workgroup Report presented to Panel	16 December 2021
Draft Modification Report issued for consultation	17 December 2021
Consultation Close-out for representations	11 January 2022
Final Modification Report available for Panel	13 January 2022
Modification Panel decision	20 January 2022

Any questions?

Contact:
Joint Office of Gas Transporters

enquiries@gasgovernance.co.uk

0121 288 2107

0779 Proposer:
Daniel Hisgett
National Grid NTS

daniel.hisgett@nationalgrid.com

07971500855

0779A Proposer:
Lauren Jauss
RWE Supply & Trading GmbH

Lauren.jauss@rwe.com

07825 995497

Transporter:
National Grid NTS

box.gsoconsultations@natinoalgrid.com

Systems Provider:
Xoserve

UKLink@xoserve.com

1 Summary

What

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The Uniform Network Code (UNC) currently allows for assignment of Capacity and liability between Users at an Exit Point. This Modification proposes to enhance the current Assignment arrangement by providing the ability to assign Capacity at Entry Points both in full and in part.

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The Uniform Network Code (UNC) currently allows for assignment of Capacity and liability between Users at an Exit Point. This Modification proposes to enhance the current Assignment arrangement by providing the ability to assign Capacity at Entry Points both in full and in part for a defined period within the duration of a contract by specifying ~~both~~any start and any end ~~dates.~~ date, with no minimum assignment period (i.e. assignment could be for one day only).

Why

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Enabling Entry Capacity Assignments gives Users an enhanced level of flexibility when managing their Capacity portfolio. It would

- reduce their administrative burden and risks associated with long-term transfer of capacity to other Users;
- give new entrants an alternative to the short-term auctions; and
- enables the benefits and potential discounts associated with holding both the capacity and liability simultaneously.

It also aids in ensuring capacity liability is held by the Shipper licensee utilising the capacity, reducing the need to maintain otherwise dormant Shipper licences.

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Enabling Entry Capacity Assignments gives Users an enhanced level of flexibility when managing their Capacity portfolio. It would

- reduce their administrative burden and risks associated with long-term transfer of capacity to other Users;
- give new entrants an alternative to the short-term auctions;
- enables the benefits and potential discounts associated with holding both the capacity and liability simultaneously;
- allows for the assignment of capacity that would otherwise be unutilised for a limited period, so that capacity utilisation better matches flow requirements; ~~and~~
- provide~~s~~ a route to procure additional primary capacity for a limited period, particularly where no remaining capacity is available in auctions~~.~~; and
- Incentivise more long term capacity bookings by giving Users greater optionality on their capacity holdings

It also aids in ensuring capacity liability is held by the Shipper licensee utilising the capacity, reducing the need to maintain otherwise dormant Shipper licences.

This Proposal includes improved functionality and benefits for Users compared with Modification 0779, whilst the cost estimate from XOServe for Central Systems Development is the same for both solutions.

How

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Enhancements to the National Grid Gemini System would provide Users with the ability to assign entry capacity and liability rather than just being able to transfer capacity as is currently allowed. Updates to the UNC and the European Interconnection Document would be required to facilitate this.

Users would be able to assign Capacity and associated liability in the auction types in which they were purchased, i.e. monthly or quarterly depending on the make-up of their capacity portfolio. Users would be able to assign any volume, in whole kilowatt hours, within that auction purchase, consistent across the period defined, rather than on an all or nothing basis.

For the avoidance of doubt capacity acquired via Short-term, weekly, on the day and day ahead auctions would be excluded from this.

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Enhancements to the National Grid Gemini System would provide Users with the ability to assign entry capacity and liability rather than just being able to transfer capacity as is currently allowed. Updates to the UNC ~~and the Entry Capacity Transfer and Trade Methodology Statement~~ would be required to facilitate this.

Users would be able to assign Capacity and liability ~~with a defined~~ by defining any start and any end date to the assignment. These start and end dates do not need to coincide with the start or end dates of the capacity contract as it was originally procured, and they do not need to necessarily be the first or last day of a month but can be any date as long as the defined period is wholly within the Assignor's capacity holding. Users would be able to assign any volume within a contract, consistent across the period defined, rather than on an all or nothing basis. The assignment period would have no minimum, and therefore could be for one day only.

Capacity acquired via day and day ahead auctions would be excluded from these arrangements.

This modification also proposes that entry capacity assignments be notified at least one Business Day prior to the first Day of the Assignment Period. This is shorter than the current notice required for exit capacity assignments which is the fifth Business Day prior to the first Day of the Assignment Period.

2 Governance

0779 Justification for Authority Direction

The proposed changes create a potential monetary benefit for a small subset of customers, i.e. holders of Existing Contracts who are in a position to maximise their Storage discounts and discounts associated with the Avoidance of Inefficient Bypass of the Network arrangements introduced by UNC0728B, by use of Entry Assignments. The impacts would not disadvantage any User type more or less than any other, however these impacts will have an effect on transportation and contractual arrangements for Shippers and therefore Authority Direction is proposed.

We believe it is also important to highlight that this modification is introducing a new product. The concept of Entry Assignments does not currently exist in the UNC. UNC Modification 0775S – Enhancement of Exit Assignments was view as a Self-Governance Modification as it enhanced an existing process and didn't create any new impacts on users.

0779A Justification for Self-Governance

The proposed changes would not disadvantage any User type more or less than any other.

The Proposer can see no evidence of a material effect arising from this Modification on:

(a) existing or future gas consumers; and
(b) competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and
(c) the operation of one or more pipe-line system(s); and
(d) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
(e) the uniform network code governance procedures or the network code modification procedures.

National Grid Gas have subsequently estimated an upper-bound maximum possible impact of this modification on Entry Reserve Prices as a result of increased eligibility for storage and inefficient bypass (shorthaul) discounts based on the current charging arrangements. However, there is no forecast of the actual expected utilisation of inefficient bypass or storage discounts, which are likely to be significantly lower than the upper-bound maximum volumes.

Panel's view on Governance

At the Panel Meeting on 16 September 2021 Panel Members determined that Modification 0779A did not meet the Self-Governance criteria and should proceed under Authority Direction.

Requested Next Steps

These Modifications should:

- be considered a material change and not subject to self-governance
- proceed to Consultation
- These proposals require further assessment and should be returned to Workgroup.

3 Why Change?

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Following implementation of *Modification 0678A - Amendments to Gas Transmission Charging Regime (Postage Stamp)* and submission of proposals to Ofgem to Manage Inefficient Bypass of the Network, Industry parties approached National Grid NTS with a request to consider enhancing the existing Assignment arrangements.

Currently, Users can book capacity, but where changes in usage mean the capacity level booked is no longer required for a known period, there are currently two feasible options:

1. trade the capacity to another User but retain the liability for that capacity; or
2. choose to surrender all capacity back to National Grid via a voluntary discontinuance.

The proposed introduction of Assignments provides an alternative option which would allow Users to transfer, on a Monthly or Quarterly basis, some or all of their booked capacity to another User, transferring the liability along with the capacity.

The desire for Users to sell subsequently surplus capacity has increased with the introduction of the Gas Transmission Charging Reforms. Industry has, in the past, highlighted several issues that this functionality could resolve.

Where Shippers are active but no longer require the capacity booked, third party contracts have to be arranged and maintained to provide for payment arrangements between Shippers for the lifetime of that liability. This leaves the original Shipper with an ongoing administrative burden and makes them exposed to potential risks should the secondary Shipper default on that arrangement.

In some cases of a Shipper exiting the market, it leaves them with otherwise dormant Shipper licence being maintained simply to continue these arrangements and no other purpose.

Managing and shaping capacity levels ahead of time can be achieved currently though the transfer process and these third-party arrangements, but where Users wish to hold both the capacity and liability to retain any associated benefit, they are forced to use the day ahead and on the day markets, which gives no long term signals and where Capacity is not always guaranteed to be available,

This solution would somewhat mitigate the need to rely on the third-party agreements and reduce dependency on short-term markets, giving Users more certainty on capacity availability.

National Grid believes that this gives Users another tool with which they can better manage their portfolios, and which could also give National Grid NTS more reflective long-term signals compared with the current regime.

Without this change Users will continue to find the best way to manage and profile capacity under the current rules, but National Grid believes this provides them with another option to consider, with unique benefits when compared to long-term transfer of capacity only and short-term volume adjustments. The solution allows Users to only hold appropriate and relevant levels of capacity, retaining the associated liabilities, and ensuring commercial positions are optimised under each Shipper Licence.

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Following implementation on 01 October 2020 of *Modification 0678A - Amendments to Gas Transmission Charging Regime (Postage Stamp)* and submission of proposals to Ofgem to Manage Inefficient Bypass of the Network, Industry parties approached National Grid NTS with a request to consider enhancing the existing Assignment arrangements.

Currently, Users can book capacity, but where changes in usage mean the capacity level booked is no longer required for a known period, there are currently two feasible options:

1. Trade the capacity to another User but must retain the liability for that capacity;

2. Alternatively they could choose to surrender all capacity back to National Grid via a voluntary discontinuance.

The proposed introduction of Assignments provides an alternative 3rd option that would allow Users to transfer some or all of their booked capacity to another User, transferring the liability along with the capacity.

The desire for Users to sell subsequently surplus capacity has increased with the introduction of the Gas Transmission Charging Reforms. Industry has, in the past, highlighted several issues that this functionality could resolve.

Where Shippers are active but no longer require the capacity booked, third party contracts have to be arranged and maintained to provide for payment arrangements between Shippers for the lifetime of that liability. This leaves the original Shipper with an ongoing administrative burden and makes them exposed to potential risks should the secondary Shipper default on that arrangement.

In some cases of a Shipper exiting the market, it leaves them with otherwise dormant Shipper licences being maintained simply to continue these arrangements and no other purpose.

Managing and shaping capacity levels ahead of time can be achieved currently though the transfer process and these third-party arrangements, but where Users wish to hold both the capacity and liability to retain any associated benefit, they are forced to use the day ahead and on the day markets, which gives no long term signals and where Capacity is not always guaranteed to be available,

This solution would somewhat mitigate the need to rely on the third-party agreements and reduce dependency on short-term markets, giving Users more certainty on capacity availability.

This Proposal will enable assignor Users to assign capacity that would otherwise be unutilised for a limited period and would be of particular benefit to assignee Users where no remaining capacity is available to procure in auctions. This gives Users another tool with which they can better manage their portfolios, and would also give National Grid NTS more reflective capacity booking signals compared with the current regime because capacity bookings should better reflect actual flows. The ability to define any start and any end ~~dates~~date to an Assignment will allow Users to assign capacity that meet the requirements of the Assignee User.

Without this change Users will continue to find the best way to manage and profile capacity under the current rules, but the Proposer believes this provides them with another option to consider, with unique benefits when compared to long-term transfer of capacity only and short-term volume adjustments. The solution allows Users to only hold appropriate and relevant levels of capacity, retaining the associated liabilities, and ensuring commercial positions are optimised under each Shipper Licence.

A notice period which is as short as possible is expected to be beneficial because closer to real-time, assignees who have variable usage, and typically procure capacity in short term auctions, have greater certainty with regards to their actual capacity requirements. Variable Users also may not require capacity on consecutive days, and therefore will benefit from access to assigned capacity which can be assigned for one day only.

4 Code Specific Matters

Reference Documents

Transportation Principle Document: Section B
https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2020-10/4%20TPD%20Section%20B%20-%20System%20Use%20%26%20Capacity_0.pdf

UNC Modification Proposal 0276
https://www.gasgovernance.co.uk/0276

EU Tariff Code (Regulation 2017/460)
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R0460

European Interconnection Document
https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2021-03/4%20EID%20Section%20B%20-%20Capacity.pdf

Exit Capacity Release Methodology Statement
https://www.nationalgrid.com/uk/gas-transmission/document/128006/download

The Entry Capacity Transfer and Trade Methodology Statement
https://www.nationalgrid.com/uk/gas-transmission/document/128021/download

5 Solution

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A new paragraph will be entered into the Transportation Principal Document (TPD) Section B of the UNC to provide for the introduction of Entry Capacity Assignments. This would sit within the current paragraph 6 which relates to the existing Capacity Assignment arrangements.

1. Implementation would allow Users to select a portion of their Monthly and/or Quarterly booked capacity and transfer both capacity and associated liability to a second User.
2. Users would only be able to assign in the capacity auction periods the capacity was booked in, but
3. Users will be able to assign any volume, from 1 kWh/day for the full period, up to the full booking.
4. The capacity assignee would pay the published Entry Transmission Services rate applicable to the period being assigned regardless of any existing agreements in place between National Grid Gas with the assignor.
5. The assignee would also pay any Entry Transmission Services Revenue Recovery Charges applicable to the Capacity and for the period of the assignment.
6. This functionality would be available at all Entry Points including Interconnectors, however, any Bundled Capacity booked at an Interconnector (Capacity which is matched to Capacity available at the adjacent Transmission System Operator (TSO)), would be excluded from this arrangement. Unbundled Capacity, as per Section 5.1 clause 7 of the Capacity Allocation Mechanisms (CAM) Network Code, can be traded on the secondary market which, under this Modification, would include the ability to be Assigned.
7. An assignment will not be permitted where it conflicts with any NTS Capacity Transfer already in place and accepted by National Grid NTS.

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A new paragraph will be entered into the Transportation Principal Document (TPD) Section B of the UNC to provide for the introduction of Entry Capacity Assignments. This would sit under, or alongside the current paragraph 6 which relates to the existing Capacity Assignment arrangements.

1. Implementation would allow Users to select a portion of their booked capacity (excluding day ahead and within-day contracts) of one day or more and transfer, for delivery from day-ahead, both capacity and associated liability to a second User.
2. Users would be able to assign capacity for a defined period with ~~defined~~any start ~~and~~date (from day-ahead at the earliest) to any end ~~dates~~date, and will be able to assign any volume, from 1 kWh/day for the defined period, up to the full booking. The start and end dates of the assignment do not need to be the first or last day of a month but can be any date as long as the defined period is wholly within the Assignor's capacity holding.
3. The assignee would also pay any Entry Transmission Services Revenue Recovery Charges applicable to the Capacity and for the period of the assignment.
4. This functionality would be available at all ASEPs; however, any Bundled Capacity booked at an Interconnector (Capacity which is matched to Capacity available at the adjacent Transmission System Operator (TSO)), would be excluded from this arrangement. Unbundled Capacity, as per Section 5.1 clause 7 of the Capacity Allocation Mechanisms (CAM) Network Code, can be traded on the secondary market which, under this Modification, would include the ability to be Assigned.

6 Impacts & Other Considerations

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

No, it does not.

Consumer Impacts

0779

No existing functionality is being removed from the Code.

Capacity assignors would benefit from an additional tool which could aid in reduction of the administrative processes currently involved with transfer of capacity while retaining the liability, and a lowering in their credit requirements, reducing the risks associated with booking long term capacity.

Assignees would be able to take direct advantage of any appropriate Entry Transmission Services rate discounts applicable to the Entry Point, for example the Storage discount, due to holding both the capacity and the liability. These discounts could be passed onto end consumers.

Improved long-term signals industry could see more stable pricing.

Some cost implications have been identified which arise in specific scenarios. Potential Rates were estimated to 2031/32, the remainder of the period for which Existing Contracts are held. Beyond the existing published provisional rates, future periods are based on the final year of RIIO2 Revenues, 2025/26, plus a 2% increase each year, and the current forecasted FCC inputs for the same year, 2025/26.

For each Entry Point a maximum available discount was identified:

80% for Storage Sites
Between 23% & 90% calculated for Entry Points potentially eligible for the short-haul discount
0% elsewhere

Where a Potential Entry Rate for a period was lower than the applicable Existing Contract rate at a point where a discount was available the difference was calculated and multiplied by the available Existing Contract Volume for the period. These values were totalled by period and their potential impact on Rates calculated. These are assumed to be the worst-case revenue under recovery scenarios.

These impacts all arise where Entry Assignments are used in conjunction with Existing Contracts and Short-haul discounts. Currently there are no impacts arising at Storage sites, however these benefits would increase and could also arise at Storage Sites in some scenarios under potential future charging modifications.

The impacts to Users are detailed in the table below. We believe these are significant enough to warrant Authority Direction and will need to be kept under review and assessed in line with future network usage and alongside changes to the Charging Regime.

	Entry TS Reserve Price p/kWh	Revenue Impact	Adjusted Entry TS Reserve Price p/kWh	Rate Impact p/kWh	Rate Impact
2022/23	0.0774	£4,155,793.52	0.0782	0.0008	1.08%
2023/24	0.0678	£19,363,346.74	0.0704	0.0026	3.79%
2024/25	0.0666	£17,100,094.28	0.0693	0.0027	4.05%

2025/26	0.0724	£15,247,177.23	0.0750	0.0026	3.54%
2026/27	0.0619	£15,420,600.00	0.0641	0.0022	3.51%
2027/28	0.0602	£10,223,850.00	0.0616	0.0014	2.28%
2028/29	0.0544	£10,489,500.00	0.0557	0.0013	2.30%
2029/30	0.0474	£9,009,000.00	0.0483	0.0009	1.93%
2030/31	0.0468	£0.00	0.0468	0.0000	0.00%
2031/32	0.0477	£0.00	0.0477	0.0000	0.00%

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No negative impacts should be felt by Users due to this enhancement as no existing functionality is being removed from the Code.

Capacity assignors would benefit from an additional tool which could aid in reduction of the administrative processes currently involved with transfer of capacity while retaining the liability, and a lowering in their credit requirements, reducing the risks associated with booking long term capacity. It will also increase capacity utilisation by reducing capacity holdings that are no longer required, so that capacity bookings are more efficient by better reflecting actual flow requirements.

Assignees would be able to take direct advantage of any appropriate Entry Transmission Services rate discounts applicable to the Entry Point, for example the Storage and Inefficient Bypass discounts, due to holding both the capacity and the liability. These discounts could be passed onto end consumers and when combined with the improved capacity booking signals from industry, it is possible that this will result in more stable pricing. Utilisation of these discounts are already taken into account when calculating Reserve Entry Capacity prices for all Users under the existing arrangements, and therefore increased discount eligibility will increase the Reserve Entry Capacity prices across all Users procuring Entry Capacity to a very small degree. However, most importantly, the Proposer believes that the correct counterfactual to the increased discounts and slightly increased Reserve Entry Capacity prices of this Proposal is the continuation of the status quo with increased incidence of inefficient bypass which would result in much higher Entry Capacity Reserve Prices, as well as reduced utilisation of storage, both of which would be much more detrimental to consumers.

National Grid Gas have estimated an upper-bound maximum possible impact of this modification on Entry Reserve Prices as a result of increased eligibility for storage and inefficient bypass discounts based on the current charging arrangements. However, there are no forecasts of the actual expected utilisation discounts, which are likely to be significantly lower than the upper-bound maximum volumes (particularly for this Alternative which proposes allowing assignments for a limited period rather than the full duration of a capacity contract). In 2022/23, the upper-bound estimated impact on Entry Capacity Reserve Prices presented by National Grid is 1.08% assuming no inefficient bypass and (which equates to 0.0008p/kWh or £4.2m), rising to the highest level of 4.05% in 2024/25 (which equates to 0.0027p/kWh or £17.1m) as storage discount eligibility increases, before reducing to 2.28% by 2027/28 and having no impact by 2030/31.

The Rough Order of Magnitude Response provides a cost estimate from XOServe for Central Systems Development which is the same for both this Proposal and Modification 0779. This means that the additional functionality and benefits for Users from this Proposal can be delivered at a very similar if not identical cost as Modification 0779.

0779 Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability	None
Lower bills than would otherwise be the case	None
Reduced environmental damage	None
Improved quality of service Enabling the Assignment of Entry Capacity may help to optimise capacity bookings and reduce the costs associated with management of third-party agreements between Shippers. This in turn could lead to savings in cost and administration which may reach end users.	Positive
Benefits for society as a whole	None

0779A Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability N/A	None
Lower bills than would otherwise be the case Assignees would be able to take direct advantage of any appropriate Entry Transmission Services rate discounts applicable to the Entry Point, which may result in some cost savings which could be passed onto end consumers.	Positive
Reduced environmental damage N/A	None
Improved quality of service Enabling the Assignment of Entry Capacity may help to optimise capacity bookings and reduce the costs associated with management of third-party agreements between Shippers. This in turn could lead to savings in cost and administration which may reach end users.	Positive

Benefits for society as a whole N/A	None

Cross Code Impacts

None

EU Code Impacts

No changes are proposed which would impact EU Codes.

National Grid intends to retain the current status quo, with no proposed changes to UNC TPD Section Y or the terms which entered in to force from 01 October 2020 ("Existing Available Holdings" & "Existing Registered Holdings") to define Existing Contracts in the Code. This Modification only enables changes to capacity liability from the direction date. Article 35 of the EU Tariff Code (TAR NC) specifies 06 April 2017 as the date by which contracts, or capacity bookings must be concluded and so capacity and liability moved under this proposal does not qualify for the price protection which that clause affords.

The exclusion of bundled capacity at Interconnectors avoids any conflict with the CAM Code.

Central Systems Impacts

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System enhancements would be required in Gemini to enable these changes.

The change would need to be prioritised through the Change Management Committee alongside other changes within Xoserve's planned Gemini programme.

There will be a lead time of 3 months for startup/sanction/mobilisation which should be considered. There is the potential for this to be shortened subject to the delivery mechanism and availability of resources and interaction with other Modifications inflight.

The high-level estimate to develop and deliver this change is approximately 28 to 30 weeks for Analysis through to Post Implementation Support.

An enduring solution will cost at least £435,000 but probably not more than £560,000 to implement and the change is not expected to increase ongoing running costs.

The estimated timescale and cost range is applicable to both UNC Modification 0779 and the alternate, UNC Modification 0779A.

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System enhancements would be required in Gemini to enable this. ~~National Grid expects there to be some degree of overlap in the solution for Modification 0779 and *Modification 0755S - Enhancement of Exit Capacity Assignments*, and have requested that they be implemented by the same project team. If this is still the case, then it would be appropriate for this Modification 0779A too.~~

~~For Modification 0779, early estimates from Xoserve suggest a system development time of approximately 40-50 weeks and a cost ranging between £1.2m and £1.5m to implement both and Entry and Exit solution simultaneously, though these figures included a significant risk factor as the Modification parameters were not as well defined at the time of the initial discussion. Implementation of *Modification 0755S* is now expected to be in the region of £235k-£295k. From this an inferred cost is around £1m-£1.2m for the Modification 0779 Entry Assignments solution to be implemented, but a more up to date figure will be requested via a ROM. An additional estimate of cost and development time will be required for this proposal.~~

~~**ROM: Implementation timings**~~

~~The Modification 0779 concept was initially presented as a pre-mod in Transmission Workgroup in November 2020. At that time, it was hoped that an implementation date of 01 October 2021 for Entry Capacity Assignments could be achieved, although early discussions with Xoserve suggested that a lead time of just over 10 months from the pre-mod discussion may not be realistic and an implementation date during Spring 2022 may be more achievable. In the meantime, whilst the concept of Entry Assignments was put on hold, *Modification 0755S - Enhancement of Exit Capacity Assignments*, with which there expected to be some degree of overlap has progressed.~~

~~The Proposer therefore requests that a target implementation date of October 2022 be assessed as part of a ROM request for Modification 0779A.~~

The change would need to be prioritised through the Change Management Committee alongside other changes within Xoserve's planned Gemini programme.

There will be a lead time of 3 months for startup/sanction/mobilisation which should be considered. There is the potential for this to be shortened subject to the delivery mechanism and availability of resources and interaction with other Modifications inflight.

The high-level estimate to develop and deliver this change is approximately 28 to 30 weeks for Analysis through to Post Implementation Support.

An enduring solution will cost at least £435,000 but probably not more than £560,000 to implement and the change is not expected to increase ongoing running costs.

The estimated timescale and cost range is applicable to both UNC Modification 0779 and the alternate, UNC Modification 0779A.

Panel Questions

Panel requested that the Workgroup consider the suitability for self-governance

The workgroup on 22 November reconsidered this question and the comments of the proposer that the impact of the modification may provide benefits to a small number of users of the assignment facility but may also lead to higher costs for other Users as the total revenue collection by National Grid would remain the same, I.e. the effect is redistributive. A workgroup participant pointed out that the modification would introduce an assignment facility that is already available for exit points so is not a 'new' service and that the analysis provided (see table above) showed only small percentage changes in costs for users and that these would not be significant enough to warrant Authority Direction.

Workgroup Impact Assessment *(Joint Office to complete)*

Insert text here.

Rough Order of Magnitude (ROM) Assessment *(Cost estimate from CDSP)*

Cost estimate from CDSP where the Modification relates to a change to a CDSP Service Document

Insert text here.

Commented [EF1]: questions outstanding whether the ROM already considered also includes the time/cost for the additional capacity types featured on 0779A

7 Relevant Objectives

Impact of the Modification on the 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
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

0779

The Modification will allow Shippers another option when acquiring or disposing of capacity at an ASEP. National Grid believes it will aid long-term profiling and reduce reliance on the short-term markets which could provide National Grid NTS with more reliable long-term booking data, leading to better forecasts in relation to network capability & investment needs as well as providing more accuracy & stability in price setting.

Users would have more flexibility and confidence in the management of Quarterly and Monthly Capacity. In particular, it will allow assignor Users the opportunity to assign capacity within relatively short timescales to assignee Users in response to end User customers' needs. For example, in the event that a consumer chooses to appoint a new Shipper the current rules do not allow the outgoing Shipper to assign its Capacity to the incoming User to meet the consumer's requirements. Consequently, incoming Shipper Users and their newly acquired customers would need to rely on shorter-term Capacity products or plan years in advance to secure longer-term Capacity. The proposal will provide a potential route to avoid over reliance on short term markets.

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The Modification will better facilitate relevant objective d) because it will allow Shippers another option when acquiring or disposing of primary capacity at an ASEP and reduce over-reliance on the short-term markets.

Users would have more flexibility and confidence in the management of Quarterly and Monthly Capacity. In particular, it will allow assignor Users the opportunity to assign capacity within relatively short timescales to assignee Users in response to end User customers' needs. For example, in the event that a consumer chooses to appoint a new Shipper the current rules do not allow the outgoing Shipper to assign its Capacity to the incoming User to meet the consumer's requirements. Consequently, incoming Shipper Users and their newly

acquired customers would need to rely on shorter-term Capacity products or plan years in advance to secure longer-term Capacity.

The Proposer believes it will also better facilitate relevant objective a) by aiding capacity profiling, reducing short-term capacity bookings, and increasing capacity utilisation. All of these improvements could provide National Grid NTS with more reliable booking data, leading to better forecasts in relation to network capability & investment needs as well as providing more accuracy & stability in price setting.

The Proposer believes that the cost / benefit for this Proposal is more optimal for consumers than Modification 0779 because of the additional features, increased market efficiency and hence benefits whilst the costs of the two different solutions are the same,

8 Implementation

0779

Timescales provided by the ROM suggest a period of 10 months would be required from project set up to implementation.

The proposed date for a Panel decision is 20 January 2022. Applying the proposed timescales to this would suggest mid to late November before implementation, but this does not incorporate Ofgem's decision period.

Based on this, a release date in Spring 2023 would be more realistic.

0779A

No implementation timescales are proposed for Modification 0779A, as with Modification 0779. However, timescales will be assessed following receipt of a ROM.

The Modification 0779 concept was initially presented as a pre-mod in Transmission Workgroup in November 2020. At that time, it was hoped that an implementation date of 01 October 2021 for Entry Capacity Assignments could be achieved, although early discussions with Xoserve suggested that a lead time of just over 10 months from the pre-mod discussion may not be realistic and an implementation date during Spring 2022 may be more achievable. In the meantime, whilst the concept of Entry Assignments was put on hold, *Modification 0755S - Enhancement of Exit Capacity Assignments*, with which there expected to be some degree of overlap has progressed.

The Proposer therefore requests that a target implementation date of October 2022 be assessed as part of a ROM request for Modification 0779A.

9 Legal Text

Legal Text has been provided by National Grid Gas and is published alongside this report. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution. - to be debated as Alternate will require some different text.

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- These [Self-Governance] modifications should proceed to consultation.
- These proposals require further assessment and should be returned to Workgroup.

Commented [EF2]: Given outstanding questions this may be the only option