













UNC Request Workgroup Report	At what stage is this document in the process?
<h1 style="color: #008080;">UNC 0705R:</h1> <h2 style="color: #008000;">NTS Capacity Access Review</h2>	<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; margin-bottom: 5px; width: 100%;"> 01 Request </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; margin-bottom: 5px; width: 100%;"> 02 Workgroup Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; width: 100%;"> 03 Final Modification Report </div> </div>
<p>Purpose of Request:</p> <p>To review the principles and establish long-term strategy for the NTS capacity access regime. Ensuring the regime is appropriate for commercial behaviours experienced today, simplified and adaptable whilst being consistent with relevant obligations. To make recommendations for change and addressing short-term problems in accordance with the long-term ambition.</p>	
	<p>The Workgroup recommends that the Panel now consider this report.</p>
	<p>High Impact: GB gas market participants, National Grid NTS, Ofgem</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: None</p>

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5 Recommendations	11	 Jennifer.randall@nationalgrid.com
About this document:		 07768 251404
This report will be presented to the Panel on 20 May 2021.		Transporter: National Grid NTS
The Panel will consider whether to agree with Workgroup that		 Jennifer.randall@nationalgrid.com
<ul style="list-style-type: none"> Request 0705R should be returned for further assessment for a recommendation of a further 12 months and An Interim Workgroup Report will be submitted for consideration at the April 2021 Panel. 		 07768 251404
		Systems Provider: Xoserve
		 UKLink@xoserve.com

1 Request

Why is the Request being made?

The current entry and exit capacity arrangements for Users to access the NTS were built on the foundations of an expanding gas transmission network. Historically, incremental capacity signals from long-term auctions would trigger investment on the NTS. Today, this environment has changed and we are not experiencing the capacity signals requiring expansion of the network we were 10 years ago¹. Therefore, this Request is being raised to review the principles of the capacity access arrangements to ensure they are aligned to future needs of our customers and allow optimal development of the NTS.

This review will commence at a strategic level, looking at the long-term ambition for the NTS capacity access regime, including ensuring the regime is appropriate for commercial behaviours being experienced today, simplified and adaptable whilst being consistent with European obligations. Specific short-term problems identified by customers will be addressed consistently with the long-term ambition.

Scope

To review the principles of the NTS capacity access regime, understanding issues and developing a long-term strategy. Making recommendations for change and addressing short-term problems in accordance with the long-term ambition.

1. Long-term Ambition			
<ul style="list-style-type: none"> A capacity regime which is; <ul style="list-style-type: none"> appropriate for commercial behaviours being experienced today simplified adaptable for the impact of ongoing industry change (e.g. Charging Review, Energy Codes Review, Baselines Review) and future developments of the gas network (e.g. hydrogen future) consistent with obligations at an European level (e.g. European Codes) 			
2. Short-term Problems			
A	Substitution	Is the process and the associated timescales appropriate? (Lead times, Ofgem approval, treatment of decommissioned sites)	Governance
	Retainers	Are retainers still required with the introduction of PARCA? Are the processes for making capacity available where it needs to be effective?	
	Trade and Transfer	Any issues?	
	Zonal	Possible alternative solution to substitution and transfer	
B	Over-run charges	Are Over-run charges appropriate and incentivising "right" behaviour? Are arrangements for utilisation of capacity appropriate?	UNC / Methodology
C	PARCA	Appropriateness of fees Embedding and extending the "PARCA light process" embedded with CLoCC. Are there any issues with the PARCA process? Is there an appetite for further review of PARCA?	
D	User Commitment	Are the levels of User Commitment appropriate? <i>Potential links with PARCA and substitution</i> Are the arrangements for the varying types of User Commitment appropriate?	Are the rules contained in the right place?
E	Capacity Products	Any new products required or redundant products? <i>Including additional auctions (e.g. duration); conditional products (e.g. temperature)</i> Are there any new or redundant products or processes?	
	Auctions / Applications	Any new processes, redundant processes or refined processes?	
F	Flex	Dependent on outcome of network capability work Is the existing flex product appropriate for Tx?	

¹ https://www.ofgem.gov.uk/system/files/docs/2018/12/rrio-gt2_sector_annex_0.pdf Page 54

Impacts & Costs

The key impacts of this Request are currently considered to be:

- Possible changes to systems and business processes required to implement new capacity access arrangements
- Potential changes to governance documents (UNC and Gas Transporter Licence) to reflect amended capacity access arrangements
- Possible increase in Competition, Security of Supply and the efficient use of the total system due to improved arrangements for accessing NTS capacity.
- Any improvements to transportation arrangements should result in net benefit to consumers.

Recommendations

The objective of this Request is to explore the long-term needs of the capacity access regime and how short-term problems can be resolved in accordance with the future ambition. This Request should be issued to Workgroup for consideration.

2 Impacts and Costs

Consideration of Wider Industry Impacts

Possible wider industry impacts and costs of the output of the Request are highlights below. However, until more detail is worked through, specific impacts cannot be identified.

Impacts

Impact on Central Systems and Process	
Central System/Process	
UK Link	<ul style="list-style-type: none"> • None identified
Operational Processes	<ul style="list-style-type: none"> • Work streams identified are likely to have an impact on Transporter Operational Processes (e.g. potential amendments to the Substitution and PARCA processes)

Impact on Users	
Area of Users' business	
Administrative and operational	<ul style="list-style-type: none"> • Changes may be implemented which impact Users operational process, for example the introduction of a within day off-peak / interruptible capacity product would provide Users with more product diversity which they may want to adapt operational processes to utilise
Development, capital and operating costs	<ul style="list-style-type: none"> • Work streams included in this Request could result in lower costs for Users (e.g. optimising their capacity bookings through the availability of additional products, or changes to User Commitment requirements)
Contractual risks	<ul style="list-style-type: none"> • None identified
Legislative, regulatory and contractual	<ul style="list-style-type: none"> • Review of the substitution methodology may introduce

Impact on Users	
obligations and relationships	contractual changes (for example, removal of applicant confidentiality as part of PARCA)

Impact on Transporters	
Area of Transporters' business	
System operation	<ul style="list-style-type: none"> Various changes being considered as part of this Request may have an impact on Transporters' system operation (for example, the development of new capacity products)
Development, capital and operating costs	<ul style="list-style-type: none"> None identified
Recovery of costs	<ul style="list-style-type: none"> There are areas being considered in this Request which may impact the recovery of Transporter costs (e.g. a discounted within day product could impact the method by which the Transporter collects its allowed Revenue).
Price regulation	<ul style="list-style-type: none"> None identified
Contractual risks	<ul style="list-style-type: none"> None identified
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> There may be changes to the PARCA process impacting contractual obligations
Standards of service	<ul style="list-style-type: none"> None identified

Impact on Code Administration	
Area of Code Administration	
Modification Rules	None identified.
UNC Committees	<ul style="list-style-type: none">
General administration	<ul style="list-style-type: none">
DSC Committees	<ul style="list-style-type: none">

Impact on Code	
Code section	Potential impact
TPD Section B	<ul style="list-style-type: none"> The focus of the review is on capacity processes and therefore likely to have future impacts either directly through this Request or through "spin-off" modifications to implement specific changes (i.e. UNC Modification 0716 "Revision of the Overrun Multiplier").

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	
	None identified

Impact on UNC Related Documents and Other Referenced Documents	
Network Entry Agreement (TPD I1.3)	•
General	None identified.
Legal Text Guidance Document	•
UNC Modification Proposals – Guidance for Proposers	•
Self Governance Guidance	•
TPD	None identified.
Network Code Operations Reporting Manual (TPD V12)	•
UNC Data Dictionary	•
AQ Validation Rules (TPD V12)	•
AUGE Framework Document	•
Customer Settlement Error Claims Process	•
Demand Estimation Methodology	•
Energy Balancing Credit Rules (TPD X2.1)	•
Energy Settlement Performance Assurance Regime	•
Guidelines to optimise the use of AQ amendment system capacity	•
Guidelines for Sub-Deduct Arrangements (Prime and Sub-deduct Meter Points)	•
LDZ Shrinkage Adjustment Methodology	•
Performance Assurance Report Register	•
Shares Supply Meter Points Guide and Procedures	•
Shipper Communications in Incidents of CO Poisoning, Gas Fire/Explosions and Local Gas Supply Emergency	•
Standards of Service Query Management Operational Guidelines	•
Network Code Validation Rules	•
OAD	None identified.
Measurement Error Notification Guidelines	•

Impact on UNC Related Documents and Other Referenced Documents	
(TPD V12)	
EID	None identified
Moffat Designated Arrangements	•
IGTAD	None identified.
DSC / CDSP	None identified
Change Management Procedures	•
Contract Management Procedures	•
Credit Policy	•
Credit Rules	• None identified
UK Link Manual	• None identified

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	• None identified
Gas Transporter Licence	• Changes to areas such as substitution governance would require a Licence change. There may also be the requirement for methodology changes (ECR and ExCR for User Commitment changes)

Other Impacts	
Item impacted	Potential impact
Security of Supply	• Changes to processes could affect security of supply by affecting the attractiveness of the GB market.
Operation of the Total System	• Changes on the exit side of the regime could result in impact on the operation of the Total Gas System (e.g. NTS and DN's)
Industry fragmentation	• None identified
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	• Changes identified could reduce shipper's costs which may be passed onto end consumers
	•
	•

3 Terms of Reference

Topics for Discussion

- Agree “Scope” of Capacity Access Review
- Understand the future long-term ambition for a capacity regime
- “No regrets” solutions to meet short-term problems consistent with the long-term strategy.
- Development of Solution (including business rules if appropriate)
- Assessment of potential impacts of the Request
- Assessment of implementation costs of any solution identified during the Request

Outputs

Produce a Workgroup Report for submission to the Modification Panel, containing the assessment and recommendations of the Workgroup including a draft modification(s) where appropriate.

Composition of Workgroup

The Workgroup is open to any party that wishes to attend or participate.

A Workgroup meeting will be quorate provided at least two Transporter and two User representatives are present.

Meeting Arrangements

Meetings will be administered by the Joint Office and conducted in accordance with the Code Administration Code of Practice.

4 Request Workgroup Assessment

Request 0705R NTS Capacity Access Review was raised on 17 October 2019 and has been actively discussed at the Transmission Workgroup meetings and National Grid have conducted offline meetings with key stakeholders. The following section builds on the Workgroup report submitted to Panel in October 2020 where the Capacity Access Review was extended for a further 12 months. The purpose of this report is to provide an update as to developments since October 2020 and outlines future work.

Overrun Charges

Following the implementation of UNC Modification 0716 “Revision of Overrun Charge Multiple” we committed to further reviewing the Overrun regime once the new charging regime have been in place for a year following the implementation of UNC Modification 0678A “Amendments to Gas Transmission Charging Regime” in October 2020. Since implementation of that modification we have been monitoring and publishing the quantity of both Entry and Exit overruns on a monthly basis under the relevant Transmission Workgroup folder on the Joint Office website. This data will feed into the further review.

Entry User Commitment

In the October 2020 Workgroup Report the proposed change to the Entry User Commitment rules was outlined. This change reduces the baseline capacity commitment required to trigger substitution and

obligated funded incremental capacity from 16 quarters to 4 quarters in a 32-quarter period. This change is currently being progressed through the review to the capacity Methodology statements and is expected to be implemented in July of this year.

Exit User Commitment

Exit capacity booked through the Enduring Annual NTS Exit capacity product is subject to a period of 4 years of user commitment. The October 2020 report outlines the issues experienced by Users due to the length of this commitment. Following discussions in Workgroups, National Grid agreed to reduce the User Commitment for capacity within baseline from 4 years to 2 years. This change is now being implemented into the Exit Capacity Release methodology statement through the review of those methodology statements and is expected to be in place in July 2021.

Substitution

This workstream had been looking at various options to improve the substitution process according to feedback received. Options considered were detailed in the October 2020 Workgroup report. Following these discussions National Grid are implementing a change to both the Entry and Exit Capacity Substitution methodology statements to prioritise capacity at disconnected sites in our substitution analysis. Again, this change is being progressed through the capacity methodology statement review.

Secondary Capacity Assignments

Following discussions, National Grid raised a pre-modification to introduce secondary capacity assignments for Entry and Exit. However, feedback was that the Entry capacity assignments modification was of no use on the basis that it was proposed, therefore that modification was withdrawn. For Exit capacity assignments, UNC Modification 0755 "Enhancement of Exit Capacity Assignments" was raised which enables Users to transfer exit capacity and the associated liabilities in full or in part at an Exit point. This modification is currently progressing through Transmission Workgroup.

Capacity Product Development

Since the Workgroup report in October 2020, National Grid has developed (through the 0705R workgroups) and raised UNC Modification 0759S "Enhancements to NTS Within-Day Firm Entry and Exit Capacity Allocations". This modification seeks to provide Users with greater access and flexibility to purchase Entry and Exit capacity within the Gas day and is currently progressing through Transmission Workgroup.

Towards the end of 2020, the suitability of the currently available Entry products for LNG was discussed through 0705R Workgroup before UNC Modification 0752 "Introduction of Weekly Entry Capacity Auction" was raised by South Hook Gas. National Grid has since been facilitating that modification and is currently in the final stages.

Relating to capacity product development, over the coming months we plan to review the products currently available to ensure the products offered are relevant, provide Users with required access and explore any other potential opportunities that could be delivered through the capacity products offered.

Review of the Exit Regime

As part of RII02, a new Licence condition was introduced which required Gas Transporters to comply with the Exit Capacity Planning Guidance (ECPG). The ECPG provides a framework for processes and activities to ensure efficient capacity bookings are made that benefits the total gas transportation network. Considering this, we are looking at various aspects of the Exit capacity regime, including User Commitment, substitution (including the possibility to move capacity between Exit points within the same LDZ), the PARCA process and ensuring the total gas network can be accessed efficiently. This will be with the ambition of creating an exit regime that better meets the differing needs of all market participants.

Long-term Access Regime

This workstream is working closely with the Gas Markets Plan (GMaP). Working with members of the GMaP Balancing and Capacity working group a scenario which outlines the expected physical and commercial landscape in 2030 has been developed. This, along with the previously identified functions required of an access regime, will be used to assess a series of options. These options include;

- Implicit allocation
- Access with no upfront financial commitment (commitment around forecasting)
- Daily access as implicit allocation
- Flexibility as a product (purchase an “access pass”)
- Short-term access right booked only

Next steps are to develop a series of triggers to monitor the materialization of the changes identified in the scenario to identify the directions and speed of travel. This will result in a report outlining findings and seeking industry views.

Future work and timescales

Over the coming months, it is proposed the focus of 0705R will be the following;

- Review of the Exit Regime, including;
 - o further reduction of User Commitment for capacity within baseline and incremental capacity;
 - o moving capacity between exit points within the same LDZ;
 - o ensuring that all network Users can efficiently book required capacity
- Entry and Exit capacity product development
- Overruns
- Development of options for a long-term access regime

It is proposed that these areas are developed in conjunction with Industry through bilateral meetings and topic specific workshops, returning to Transmission Workgroup as and when required.

5 Recommendations

Workgroup's Recommendation to Panel

Panel isn't requested to make a decision following this Workgroup report, it is intended for update purposes only.