

UNC 0705R:

Review Group Title: NTS Capacity Access Review



Progress Summary to March 2020

Panel Date: 19th March 2020

Scope of Review



- The Capacity Access Review, (CAR), aims to review the principles of the capacity access arrangements, on a holistic basis, to ensure they are aligned to further needs of our customers reflect developments on the NTS
- Scope will continue to evolve:
 - Will include: Entry and Exit Capacity regimes, follow on from RIIO2 discussions
 - Will not include: “Wider” access topics such as NExA’s/NEA’s, Gas Quality and NTSCMF areas of focus, (e.g. 50/50 revenue split between Entry and Exit)
- Develop the long-term strategy to help guide the direction of the CAR and ensure that short-term problems are resolved consistently with long-term goals.

Long-term Strategy



The long-term strategy is being developed in three layers:

1. **Ambition Statement:** features a future regime should aspire to meet
*“The future capacity access regime will be **compliant** with any relevant obligations. It will be **flexible** to changing market conditions, regimes, requirements and physical network developments. It will be **simple** and will **enable** new entrants to access the market **easily and efficiently**. It will not unfairly discriminate. It will provide **cost effective** products which drive **consumer value**. It will be **dynamic** and **adaptable** to accommodate new technologies and sources of gas to the NTS as progression is made to meet decarbonisation targets.”**
2. **Functions:** “what” is needed from a future regime:
 - Signal a need for capacity requirements
 - Manage network access where there is a short-term constraint
 - Provide Users with commercial certainty on network access
 - Collect transporter allowed revenue
 - Enable existing Users and new entrants, including new sources of gas and technologies, to easily and efficiently access the NTS
3. **Principles:** “how” the functions will be delivered, (to be developed alongside GMaP):
 - Held informal consultation on the long-term strategy
 - Continue to cross-check consistency throughout duration of CAR

Long-term Strategy: Consultation Feedback



- 14 responses
- Request to make the Ambition Statement more concise and provide better clarity
- Broad agreement with the functions
 - Lowest agreement score “collect transporter allowed revenue”
 - Easily and Efficient access to NTS should be for all parties, not just new entrants. Amended function.
 - Overlaps with the Charging Review highlighted (commercial certainty but not necessarily financial certainty)
 - More flexible products requested
 - Feedback received that may not be resolved through CAR (i.e. Constraints)
- Greater clarity provided on the short-term issues identified
 - Inclusion of two new areas; trading and system capabilities
- Agreement around the overlap between short-term issues and long-term regime. “Principles” to be developed as part of GMaP

Short-term Issues (Grouped by Workstream)



| | | | | Governance | System Capabilities |
|---|-------------------------------------|---|---|---|--|
| A | Overruns | Are Over-run charges appropriate? | <ul style="list-style-type: none"> Is the incentive appropriate particularly with the introduction of the Charging Review. Anomaly that zero over-run charge maybe possible Longer-term: review basis of overrun charges in light of change of behaviours following Charging Review | | |
| B | Signalling & Allocation of Capacity | Are the PARCA processes (including User Commitment) appropriate? | <ul style="list-style-type: none"> Can the timescales for the substitution process be reduced? Can rules be made clearer, simpler? More clarity on process methodology. | UNC / Methodology | Enhancements to system capabilities required |
| | | Are the substitution processes (including User Commitment) appropriate? | <ul style="list-style-type: none"> Affected Users able to respond to potential Substitution considered during the Annual Application Window | | |
| | | Could a zonal capacity regime be introduced? | <ul style="list-style-type: none"> Exchanges of NTS exit capacity between NTS exit points within same exit zone where capacity does not go above baseline Should User Commitment be applied to every enduring capacity release? | | |
| | | Are there any issues with Trade and Transfer? Are Retainers still required? | <ul style="list-style-type: none"> Could a zonal capacity regime be an alternative? | Are the rules contained in the right place? | Greater automation of the Gemini system |
| C | Capacity Products & Auctions | Are new products required or redundant products? | <ul style="list-style-type: none"> Development of a "mothballed" capacity product following baseline review at Theddlethorpe Within day, shorter term capacity product development <ul style="list-style-type: none"> Incentive for advance, long-term capacity bookings? Disaggregating NTS Exit capacity purchases for embedded "large" offtakes from DN capacity bookings. Temperature / seasonal based product Flexibility product | | |
| D | Trading | Are additional mechanisms required to aid trading of capacity | <ul style="list-style-type: none"> Development of a "tradeable" capacity product Liability of Traded Capacity | | |

Overruns (Workstream A)



- An outcome of the Charging Review (UNC Modification 0678A) is that a higher proportion of revenue will be recovered through capacity charges.
- A consequence of this could result in significant increase in the average Overrun Charge for both Entry and Exit
- National Grid raised UNC Modification 0716: Revision of Overrun Charge Multiplier
- The aim of the modification is to maintain the status quo in level of incentive for Users to accurately book their required capacity.
- The proposal aims to achieve this through reduction of the Overrun multiplier.
- Modification is currently with Workgroup for further development

Signaling and Allocation of Capacity



- The issues identified within Workstream B, “Signaling and Allocation of Capacity” are interlinked, hence being considered together:
 - Flexible, adaptable and more efficient use of existing capacity
 - Greater use of unsold capacity
 - Entry Capacity Release
 - PARCA
 - User Commitment
 - Substitution
- Options are currently being discussed within Transmission Workgroup, this includes zonal arrangements.

Engagement



- It is recognised that the CAR is predominantly being progressed through Transmission Workgroup but attendees only represent a small subset of the industry.
- These developments are / will be further disseminated through the following channels:
 - Webinar(s)
 - Informal Consultation
 - Industry Forums: Gas Storage Operators Group, Gas Operational Forum, Future of Gas Forum
 - RII02 Engagement
 - Sector Specific engagement
 - Bilateral Discussions

Aspirations



By October 2020:

- Have developed “Market Issues Reports” for the long-term development of the capacity regime in line with GMaP
- Implemented Modification 0716: Revision of Overrun Charge Multiplier
- Have identified a preferred option(s) for the issues identified under “Signaling and Allocation of Capacity” work-stream and be in implementation stage
- Have developed a series of “1 pagers” to outline requirements for remaining issues
- Continual stakeholder engagement