

Modification proposal:	Uniform Network Code (UNC) 805: Introduction of Weekly NTS Exit Capacity Auctions (UNC805)		
Decision:	The Authority ¹ has decided to reject this modification ²		
Target audience:	UNC Panel, Parties to the UNC and other interested parties		
Date of publication:	30 January 2023	Implementation date:	n/a

Background

Under National Transmission System (NTS) Exit capacity booking arrangements, Users can purchase either Annual or Daily capacity products. On Entry, Users have access to Weekly capacity in addition to the Annual and Daily capacity products. This was introduced through UNC752S.³

The modification proposal

On 7 March 2022, Vitol SA (“the Proposer”) raised UNC805: ‘Introduction of Weekly NTS Exit Capacity Auctions’.⁴ The modification seeks to expand the range of Exit capacity products through the introduction of Weekly Exit capacity auctions. The product would only be available to NTS Direct Connects (DCs), meaning Distribution Network (DN) Exit Points would be excluded.

¹ References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986

³ <https://www.gasgovernance.co.uk/0752>

⁴ [0805 - Introduction of Weekly NTS Exit Capacity Auctions | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](#)

UNC Panel⁵ recommendation

At the UNC Panel meeting on 15 September 2022, a majority⁶ of the UNC Panel considered that UNC805 would not better facilitate the UNC objectives and the Panel therefore did not recommend its approval. Among the Panel members representing consumers, the domestic consumer voting member did not recommend implementation.⁷ Some Panel members commented that the exclusion of DNs from the auctions would result in DCs paying less than an equivalent User within a Gas Distribution Network (GDN) and that this discrimination is not justified.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 20 September 2022. We have considered and taken into account the responses to the industry consultation(s) on the modification proposal which are attached to the FMR. We have concluded that whilst a modification introducing weekly exit capacity auctions may better facilitate the achievement of the relevant objectives of the UNC⁸ (though we have not assessed whether that *is* the case for UNC805), modification proposal UNC805 does not comply with the licence held by National Grid Gas. We have therefore concluded that we cannot legally implement UNC805, so have not considered the impact of it on the relevant UNC objectives as to do so would not change this fundamental issue of illegality.

Reasons for our decision

Standard Special Condition A6 of the Transportation Licence requires that the Licensee should operate their transportation business in such a way that ensures that no “gas shipper... obtains any unfair commercial advantage”.⁹ As the proposal would necessitate the exclusion of an entire group of Users (ie, DNs and those shipping gas on their behalf) from the weekly auction

⁵ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

⁶ Of the 14 voting members, 5 voted for implementation and 9 did not.

⁷ [Determinations Record 296 15 Sep 22 v1.0 .pdf \(gasgovernance.co.uk\)](#)

⁸ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.co.uk

⁹ [Licences and licence conditions | Ofgem](#)

we consider that implementation of this modification would put NGG in breach of its statutory and licence obligations.

We believe that there could be merit in a proposal to introduce weekly exit capacity auctions and would welcome a proposal, that is compliant with NGG's statutory and licence obligations and furthers the UNC relevant objectives.

We have not made any conclusions as to the effect of the modification on the relevant objectives, and this decision should not be considered a comment on the substance of the proposal.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority has decided that modification proposal UNC805: *'Introduction of Weekly NTS Exit Capacity Auctions'* should not be made.

Charlotte Friel

Deputy Director – Market Operations and Signals

Signed on behalf of the Authority and authorised for that purpose