

Representation - Draft Modification Report UNC 0686

Removal of the NTS Optional Commodity Rate with adequate notice

Responses invited by: **5pm on 07 June 2019**

To: enquiries@gasgovernance.co.uk

Representative:	Kamla Rhodes
Organisation:	ConocoPhillips (U.K.) Limited
Date of Representation:	7 th June 2019
Support or oppose implementation?	Oppose
Relevant Objective:	<p>c) Negative</p> <p>d) Negative</p> <p>g) Negative</p>
Relevant Charging Methodology Objective:	<p>a) Negative</p> <p>b) Negative</p> <p>c) Negative</p> <p>e) Negative</p>

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

This modification takes a one-sided view of the Optional Commodity Charge (OCC) in that it implies that it is discriminatory and anti-competitive, however it must be noted that the OCC attracts Users to the NTS thereby increasing National Grid's customer base and provides a benefit to all. The very real risk of private pipelines being built and the effect that that will have should not be ignored and therefore the issue, (that is a result of other aspects of the charging regime making this a more favourable option that originally envisaged) is more the over-use of the OCC rather than that the option exists.

A number of alternative modifications under 0678 provided capacity based solutions for dealing with inefficient by-pass of the NTS and there is currently a review taking place under 0670R looking at this very subject. It therefore seems premature to rush through this one element of the whole charging regime before further analysis has been completed and a decision on 0678 and its alternatives has been made.

As explained in Ofgem's decision letter dated 10 April 2019, not to grant urgency to this modification, TAR NC necessitates a number of changes to the GB gas charging arrangements and is not limited to just this OCC. Looking at the OCC in isolation is

misleading as it will not provide an outcome that will result in GB becoming compliant with TAR NC. In Ofgem's rejection letter of 0636, (that was raised by the same proposer) it stated that this area should be looked at holistically and not in isolation:

"Given the wider scale reform currently under consideration, we think that the OCC should not be looked at in isolation, but should be considered holistically in the context of the wider charging landscape [...] This would allow the simultaneous examination of the OCC with the Standard Commodity Charges."

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We oppose the implementation of the modification.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

Further analysis of this charge is required. This modification has made an assumption about the outcome of 0678 in that the Proposer believes that an implementation date 1st October 2019 is unlikely and that this particular element of the charging regime needs to be addressed now. We feel it would be better to wait for the outcome of 0678 where either a new Optional Capacity Charge will be implemented or 0670R can become a modification and be fully developed, which will ideally have an effective date along with the new charging methodology.