

## 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](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	Philip Bailey
<b>Organisation:</b>	Lucite International UK Ltd
<b>Date of Representation:</b>	29 <sup>th</sup> May 2019
<b>Support or oppose implementation?</b>	Oppose * <i>delete as appropriate</i>
<b>Relevant Objective:</b>	<p>c) Negative</p> <p>d) Negative</p> <p>g) None</p>
<b>Relevant Charging Methodology Objective:</b>	<p>a) Negative</p> <p>b) None</p> <p>c) Negative</p> <p>e) None</p>

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

Lucite International UK Ltd believe that this Modification 686 negatively impacts the standard Relevant Objective a) and, if adopted, would likely incentivise LIUK to bypass the NTS and build a private pipeline to our nearest gas processing terminal, approx. 4.5km away. Contrary to the National Grid assertion, the adoption of this modification will likely increase costs for standard charge users due to the loss of flows from ourselves and other industrial users. For LIUK, due to our proximity to our nearest NTS entry point we would argue that the OCR provides a fair and proportionate cost for our use of the network, relative to the opportunity costs available to our business and is therefore not artificially low nor a cross-subsidy from other gas consumers. Furthermore, we believe implementation of this modification and the loss or material reduction in OCR would result in a very material increase in costs now for the 25m gas consumers and indefinitely for future generations of network users.

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

Implementation in October 2019 will cause significant concern to LIUK. This is within a budget year for which commercial contracts and operational arrangements with shippers

have already been agreed and implemented; early implementation will have significant implications for operating costs and potential investment decisions for our business now and into the future. Should this modification be adopted, adequate notice means that implementation should not occur until October 2020 at the very earliest.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

It is estimated that the impact of the removal of the OCR will cost LIUK of the order of £500,000 per annum.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

No Comment

**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.*

The National Grid asserts that the loss of 82% of the OCC flows is a 'highly unlikely scenario'. It is our opinion, based upon discussions with other businesses and previous studies into opportunity costs, that a significant number of consumers and connectees, particularly in the Teesside area, will bypass the NTS. LIUK gas consumption alone could account for c1300GWh per annum.

**Please provide below any additional analysis or information to support your representation**

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