

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:	Stephen Parle
Organisation:	PETRONAS Energy Trading Ltd
Date of Representation:	07 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 opposition: Please summarise (in one paragraph) the key reason(s)

PETRONAS Energy Trading Ltd (PETL) is of the view this modification negatively impacts the Relevant Charging Methodology Objective (a). If Modification 0686 is adopted, it will encourage users of the GB gas transmission and distribution system to bypass the National Transmission System (NTS) and construct their own private pipelines closest to their respective current gas processing terminals. We are already aware of proposals of this nature. Note that PETRONAS has already engaged in initial discussions with counterparts on this exact topic should 0686 be adopted. Rather than decrease costs for standard charge users, it will actually increase costs because of a decrease in flows to industrial users. Given the wider scale reform currently under consideration, we think that the OCC should not be looked at in isolation.

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

The proposed implementation date of October 2019 is highly problematic due to the lack of sufficient lead time. Contractual negotiations for Supply and Offtake contracts for the gas year 2019/20 have in most instances commenced, and in many cases already been

finalised. All such contracts will be based on the existing charging arrangements, and it is critical that Shippers and Customers have certainty on the charging regime in determining pricing. Fundamental changes to the charging regime at this stage of the year are not conducive to a stable business environment and would have a significant detrimental commercial impact.

Operating costs and strategic investment decisions have already been made against this contractual baseline.

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

To be provided separately due to the confidential nature of such information.

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

PETL does not have any comment on the legal text.

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 underestimation of the loss of the OCC flows needs to be taken into account when assessing the Modification Report.

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