

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:	Smitha Coughlan
Organisation:	Wales & West Utilities Ltd
Date of Representation:	7 th June 2019
Support or oppose implementation?	Qualified Support
Relevant Objective:	<ul style="list-style-type: none"> c) Positive d) Positive g) Positive
Relevant Charging Methodology Objective:	<ul style="list-style-type: none"> a) Positive b) None c) Positive e) Positive

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

WWU offers qualified support for this proposal. Implementation would further relevant charging objective a) and relevant objective g) as the optional charge does not reflect the costs incurred by National Grid. It would also further relevant charging objective c) and relevant objective d) by encouraging competition by removing the cross subsidy to users of the optional charge. It would also further relevant charging objective e) and relevant objective g) because the current optional charge is not compliant with the EU Tariff Code. The change benefits customers on DN networks by reducing their charges. This would occur due to the higher contribution paid by NTS directly connected customers who would no longer benefit from the optional charge and who would therefore contribute more to Exit Capacity revenue. We note that this proposal will have an adverse affect on those customers that currently benefit from the NTS optional charge and that some of the 0678 alternatives also remove the optional charge.

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

We support implementation at the start of a gas year. We note that this modification could be implemented in advance of the implementation of 0678 or an alternative,

particularly if Ofgem was minded to implement 0678 or an alternative that removed the optional charge. If Ofgem was minded to implement an alternative that had an optional charge either on or after 1st October 2019 then implementation of this modification would probably not be sensible.

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

WWU would not face any ongoing costs.

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

Yes

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.*

No

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

These comments should not be put in the consultation response summary in the Final Modification Report.

We are aware of 0670R which is looking at whether there should be an optional charge in the future. We note that there has been no evidence presented regarding the overall benefit of the optional charge to the generality of users. For any proposal put forward we would expect evidence to show whether the revenue received by NTS from users of the optional charge, exceeds the revenue that would be earned should there be no optional charge and some customers built a bypassing pipeline.

The optional charge is justified by the argument that it prevents customers building their own dedicated pipeline. If a customer built a dedicated pipeline they would be solely reliant on both it and the entry terminal that fed it and they would make a long-term investment. By remaining connected to the NTS they receive network benefits such as security of supply and also do not have to make a long-term investment in a dedicated pipeline. If the optional charge continues then it is reasonable that the customers making use of it should not receive the wider benefits from being connected to the NTS and should have to make a long-term commitment to pay transportation charges for a significant number of years to mirror the commitment that would be required to be made had a dedicated pipeline been built.