

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:	Sinead Obeng
Organisation:	Gazprom Marketing and Trading
Date of Representation:	
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)

As the industry currently seeks to make comprehensive changes to UK gas market design, proper consideration is needed given the significance and severity of the proposals being discussed under Mod 678. UK plc requires an enduring solution that recognises the European Tariff Network Code requirements, avoids short-term disruption and does not hinder investor confidence. Therefore, as set out in Ofgem's decision letter on UNC Mod 0636 the principle still holds that "*The OCC [optional commodity charge] should not be looked at in isolation but should be considered holistically in the context of the wider charging landscape*".

The proposer claims that the removal of the OCC is required as Modification 0678 will not be delivered in time for TAR NC compliance however, no further evidence had been provided on how the existing elements of the existing methodology would meet the compliance requirement therefore the prime purpose of this proposal is not reasoned nor is it justified. It is curious that the proposer fails to recognise that other aspects of the current charging methodology are inconsistent with the TAR NC yet fails to recommend corrective measures which would further its principle aim of achieving compliance.

Further, this proposal makes a direct link to Mod 678, stating that the implementation of Mod 686 is necessary as there is an expectation that Mod 678 will not be effective from 1 Oct 2019. This implies that Mod 686 is contingent upon the outcome of Mod 678 and for this reason we do not believe that it is a valid modification proposal as a proposal cannot be submitted which is dependent upon the outcome of another proposal which has yet to be decided upon.

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

n/a

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

Industry is now entering during a crucial time of transition ahead of the new gas year, where supply contracts are being renewed and concluded. Typically, the standard provisions within gas contracts that allow for re-negotiation or termination in the case of fundamental changes in the regulatory environment, require notice of between 6-12 months. This mod only provides further uncertainty in addition to the gas charging review that is currently with Ofgem awaiting a final decision.

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

No comments

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 proposer has not provided compliance analysis to justify why the LRMC methodology, including the prevalence of commodity charges for the purposes of revenue recovery, with the removal of the OCC would meet compliance with TAR NC. Nor has the proposer provided any analysis on the potential impact on OCC users if the service was removed then potentially reinstated depending on the outcome of Mod 0678. This would be highly disruptive to the GB and Irish gas markets and its end-consumers.

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

The potential impacts of removing the optional charge on the Irish gas market due to its dependence on GB as the marginal source of gas are addressed in [UNC Modification 0678I](#).