Representation - Draft Modification Report UNC 0729

Applying a discount to the Revenue Recovery Charge at Storage Points

Responses invited by: 5pm on 11 September 2020

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Richard Fairholme
Organisation:	Uniper
Date of Representation:	11 September 2020
Support or oppose implementation?	Support
Relevant Objective:	**e)** Positive **g)** Positive
Relevant Charging Methodology Objectives	**a)** Positive **c)** Positive **e)** Positive

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

We support the proposal. It makes sense to address this issue as a separate proposal so that the precise impact on all parties can be considered. We agree with the proposer that Art 9 TAR NC requires a discount of at least 50% to capacity-based tariffs for storage users. In doing so, it does not explicitly differentiate between capacity reserve prices and capacity-based revenue recovery charges. Therefore, we do not believe this proposal is incompatible with TAR NC.

We would also note that in the current charging arrangements (pre-UNC 0678A implementation), gas storage is exempt from paying TO and SO commodity charges (effectively the current version of an RRC) at both Entry and Exit. In National Grid's words "*commoditised costs are only recovered from "new" gas entering the system and from gas that permanently leaves the system to avoid double counting*". If we assume that under 0678A, most of the current costs that are factored into the TO Commodity charge will be recovered through capacity charges, then it is logical that to avoid double charging for the same gas, the RRC should be discounted by at least 50%, too. If this proposal is not implemented, we believe that imposing a full RRC on storage users would result in an undue cross-subsidy (between storage and non-storage users) and more importantly, result in NGG unfairly charging for same the same gas, twice. This would have negative impacts for competition in the wholesale gas market.

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

As soon as reasonably possible. Alternatively, given the UK gas storage year begins 1 May, it may be prudent to apply it from then onwards. This could align with NGG revising capacity charges mid-Gas year and applying the first RRC for GY20-21.

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

None

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

Yes

Modification Panel Members have requested that the following questions are addressed:

Q1. Respondents are requested to provide a view as to whether Article 9(1) TAR NC requires that a discount must be applied to the capacity reserve prices only or whether the discount must also be applied to the Transmission Services Revenue Recovery Charges (see section 'EU Code Impacts' of the Workgroup Report).

We agree with the proposer's main justification that:

"As the EU Tariff Code and the revised Methodology require that discounts should be applied to storage capacity…it is consistent to apply the same level of discount to other additional transmission capacity-based charges, such as the RRC"

Q2. Respondents are requested to provide views on the proposed implementation date.

As soon as reasonably possible. Alternatively, given the UK gas storage year begins 1 May, it may be prudent to apply it from then onwards. This could align with NGG revising capacity charges mid-Gas year and applying the first RRC for GY20-21.

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

We have nothing further to add