

Representation - Draft Modification Report

UNC 0716 0716A

Revision of Overrun Charge Multiplier

Responses invited by: **5pm on 09 July 2020**

To: enquiries@gasgovernance.co.uk

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

Representative:	Kamla Rhodes
Organisation:	ConocoPhillips (U.K.) Marketing and Trading Limited
Date of Representation:	9 July 2020
Support or oppose implementation?	Support/Oppose/Qualified Support/Comments * <i>delete as appropriate</i> 0716 - Support 0716A - Support
Expression of preference:	<i>If either 0716 or 0716A were to be implemented, which would be your preference?</i> 0716A
Relevant Objective:	0716 a) Positive d) Positive 0716A a) Positive d) Positive

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

We completely support the review of the Overrun charge multiplier and urgent need to update it to reflect the new Postage Stamp charging regime that will come into force in October, so as to avoid disproportionately high penalty charges for capacity overruns. However, we feel that the logic of 0716 is flawed and that 0716A provides a more appropriate solution.

0716

The aim of this modification is to maintain the same level of revenue that the current x8 multiplier generates each year and so it ignores the impact that the change in charging methodology will have on booking behaviour. Under the current charging regime, where short term capacity is zero cost, the only reason for an overrun can be put down to user error, as there are no strategic/cost saving benefits to be gained from not booking the correct amount of capacity.

Going forward, under the new charging regime, users will have to match their bookings and flows much more closely as reserve prices will be much higher, the luxury of having a large buffer through over booking will not be a viable option. Maintaining a level of revenue as an aim should not be the end goal especially when the reason for setting the current charge at x8 can no longer be recalled. The fear of excessive overrun penalties could cause shippers to overbook and thereby incur unnecessary extra charges but also distort the FCC which would send wrong signals to NGG and impact future tariffs.

0716A

As previously stated, user behaviour will change in response to the new charging regime, and we feel that this mod's proposal of x1.1 multiplier provides an appropriate incentive to users to accurately book the required capacity, that is both proportionate and cost reflective, for the current system that generally has surplus capacity available. It is also consistent with the multiplier already established in the UNC if National Grid needs to take a Constraint Management Action.

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

Preferably 0716A should be implemented by 1 October 2020

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

If a solution isn't implemented by 1 October 2020, then there is a risk that users will face substantial charges with a multiplier remaining at x8. This charge forms part of the overall charging regime and a fragmented implementation approach should be avoided.

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

We have not reviewed 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.*

None

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

None