

Representation - Draft Modification Report UNC 0753

Removal of Pricing Disincentives for Secondary Trading of Fixed Price NTS System Entry Capacity

Responses invited by: **5pm on 11 June 2021**

To: enquiries@gasgovernance.co.uk

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

Representative:	Laura Johnson
Organisation:	National Grid NTS
Date of Representation:	11 June 2021
Support or oppose implementation?	Oppose
Relevant Objective:	<p>c) None</p> <p>d) Negative</p> <p>g) None</p>
Relevant Charging Methodology Objective:	<p>c) Negative</p> <p>e) None</p>

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

This Modification does not change the capacity reserve price for the Existing Contract (EC) capacity nor the User who is liable to pay National Grid NTS for the EC capacity which is Existing Registered Holding (ERH). This Modification seeks to update the exemption from Entry Revenue Recovery Charges (RRC) by allowing transfer of this exemption from the original User that currently holds the Existing Available Holding (EAH) to different User, that is not currently permitted.

As a reminder, the Existing Available Holding (EAH) is the available capacity deemed to be held by a User on 06 April 2017 and this includes transfers completed prior to this date.

This Modification changes the exemption from the Entry RRC payment for a party which receives EAH from the original holder of that EAH as at 06 April 2017 by means of a one-off Capacity Transfer.

This Modification allows the movement of the original EAH from one party to another for the purposes of an exemption to the Entry RRC payment. Anyone who holds EAH as at 06 April 2017, can transfer the EAH capacity they hold to another User and the

transferee will have the benefits of the EAH for the purposes of Entry RRC payment only. The transferors EAH will be reduced by the amount of the capacity transfer.

The holders of EAH as at 06 April 2017 can transfer that capacity which can have an increased value and become more attractive to other Users, due to the exemption on the Entry RRC payment. There are other Users in the market that are not in this position and this could affect competition between these different Users due to some having the EAH to transfer which will be exempt from Entry RRC payments for the transferee and some Users do not hold EAH or have no access to EAH.

If any amount of original EAH is transferred from one User to another User then this reduces the volumes the Entry RRC is spread over.

Should an Entry RRC be needed for any reason this proposal would reduce the volumes over which it could be applied, placing an upward pressure on the price needed over a reduced User base. It would also increase the risk of any Entry RRC not recovering its target revenue, with the additional complexity of the likely increased trading that could take place to gain an exemption from an Entry RRC, should one be applied.

This would negatively impact Relevant Objective (d) and Charging Relevant Objective (c) as this would place additional burdens of Entry revenue recovery, should they be needed, on to a reducing base. The proposed change would increase the pricing disparity and liabilities under the charging framework between Users with (or access to) EAH and those without an EAH.

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

Implementation of this Proposal should take effect as soon as practicable following Authority direction to do so, taking into account the timeframes which are within the ROM provided by Correla.

Timeframes within the ROM stated:

- This change would need to be prioritised through the DSC Change Management Committee alongside other changes within Xoserve's planned Gemini programme.
- The high-level estimate to develop and deliver this change is approximately 12 - 14 weeks for Analysis through to Post Implementation Support.
- Please note a lead time of 3 months for start up/sanction/mobilisation should be considered, though there is the potential for this to be shortened subject to the delivery mechanism and availability of resources

These points would need to be considered following a positive implementation decision from Ofgem to ensure that the implementation date is deliverable in Gemini.

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

National Grid NTS will be subject to the costs of system implementation as outlined in the ROM, which are expected to be in the range of £135,000 to £175,000.

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

National Grid NTS are satisfied that the legal text delivers the intent of the solution identified in this Proposal.

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.*

N/A

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

N/A