

## Representation - Draft Modification Report UNC 0779 0779A

### 0779 - Introduction of Entry Capacity Assignments 0779A - Introduction of Entry Capacity Assignments with Defined End Date

Responses invited by: **5pm on 11 February 2022**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

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

<b>Representative:</b>	Jeff Chandler
<b>Organisation:</b>	SSE
<b>Date of Representation:</b>	11/02/22
<b>Support or oppose implementation?</b>	0779 – Support 0779A - Support
<b>Alternate preference:</b>	<i>If either 0779 or 0799A were to be implemented, which would be your preference?</i>  0779A
<b>Relevant Objective:</b>	<b>0779</b> <b>a)</b> Positive/ <b>d)</b> Positive/  <b>0779A</b> <b>a)</b> Positive/ <b>d)</b> Positive/
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

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

We support both modifications. However, 0779A provides more flexibility as described below and will be of greater use to Shippers whilst system implementation costs are the same for both modifications.

0779A will allow Users to be assigned Entry Capacity for a defined time period and be eligible for:

1. the Conditional Discount to Avoid Inefficient Bypass of the NTS (shorthaul) and
2. Storage Discounts.

Currently, the only route to acquire capacity from third party Users is through Secondary Entry Capacity but this is not eligible for shorthaul discounts.

Any Primary Exit Capacity held in conjunction with Secondary Entry Capacity does qualify for shorthaul and potentially for storage discounts. However, the reason for not allowing the associated Secondary Entry Capacity to qualify is because the price at which it was procured is not known to National Grid. However, this is a technicality which can be overcome by allowing flexibility in Assignment of Entry Capacity.

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

Implementation as soon as possible. We understand from Xoserve that an April 2023 implementation date is possible.

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

The 0779A modification would not increase costs but would rather reduce third party credit and collateral requirements by allowing fine tuning of capacity compared with 0779.

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

N/A

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

*Q1. What are the merits of the alternative Modification 0779A Capacity exclusion aspects?*

0779 excludes assignment of capacity procured in weekly auctions and it also requires a minimum 5 business days' notice ahead of delivery of the assigned capacity. This unnecessarily minimises the time window between the results of the capacity auction and the deadline for assignment of any part of a weekly contract.

0779A allows for notification of capacity assignments up to day ahead of delivery, Xoserve have confirmed that day ahead notification is deliverable and is within the same cost range as the original proposal's 5 business days and the alternative does not specifically exclude assignment of weekly capacity products.

*Q2. Do you have any views around redistribution of costs and likelihood of under recovery of costs for National Grid?*

In 0779 NGG have presented analysis illustrating the maximum possible reduction in collection of allowed revenue assuming all Existing Contract volume is assigned. We believe this is a substantial over-estimation because the expected utilisation and volume of assignments is likely to be significantly lower than the maximum possible capacity that could be assigned.

Also restricting eligibility for shorthaul and for storage discounts are detrimental to efficient operation of the pipeline system:

1. We do not agree that continuation of the status quo would result in the current forecast Entry Reserve Prices. This is because we believe that the risk of inefficient bypass of the NTS remains high as a result of Users having limited ability to qualify for shorthaul under the current arrangements. If inefficient bypass were to occur, Entry Capacity Reserve Prices would be even higher than if flexible access to shorthaul discounts were allowed.
2. Users might not be able to fully access storage discounts through Secondary Capacity trades in future, and this will be a barrier to effective utilisation of storage.

**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**

N/A