

Representation

Draft Modification Report

0473 0473A – Project Nexus – Allocation of Unidentified Gas

Consultation close out date: 13 November 2014
Respond to: enquiries@gasgovernance.co.uk
Organisation: National Grid NTS
Representative: Ritchard Hewitt
Date of Representation: 13th November 2014

Do you support or oppose implementation?

0473 - Support

0473A - Support

If either 0473 or 0473A were to be implemented, which would be your preference?

It is clear that the development of these proposals has highlighted the divergent views within the industry as to the benefits and drawbacks of each of the proposals. It is also clear that these proposals have the potential to have significant financial impacts across the shipper and supplier community and therefore have a similar potential to impact competition between these parties. Therefore, whilst the gas values impacted by these proposals are contained within the Distribution Networks we consider that the potential impacts on competition are such that we feel obliged to comment on the merits or otherwise of the changes proposed.

We also recognise that ultimately both Proposals converge to deliver similar arrangements following an initial period during which NEXUS related data improvements are delivered and considered by the “UAG expert”. We support this continuation of an independent unallocated gas review process. Our assessment of preference between the two proposals is therefore based primarily on the differing treatment of UAG apportionment during the initial, post NEXUS implementation “transitional”, period where the Proposals diverge.

Whilst we believe that on balance both proposals would further the relevant objective related to competition between shippers and between suppliers when compared to the arrangements to be introduced by Modification 0432, we are mindful of the potential for some classes of customer (class 1 and 2) to avoid UAG related allocations entirely during this initial period under 0473 and believe this may result in unintended consequences that have an adverse impact on competition between shippers and suppliers as customers seek to avoid any UAG apportionment. The magnitude of this unintended consequence will of course be influenced by the

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number of sites transferring into these classes during the transitional period.

We note that 0473A, to some extent, mitigates this potential adverse impact by maintaining an initial allocation proportion to all classes of consumers. Whether the mitigation amount is appropriate or generates its own unintended consequences is a matter for assessment and regulatory oversight when considering the two proposals. On balance we believe that 0473A would appear to have a higher likelihood of avoiding unintended consequences and therefore we currently have a finely balanced preference for Modification 0473A although we would stress that this is a finely balanced position and that shippers and suppliers are far better placed to quantify the materiality of potential for the unintended consequence from either proposal.

Modification Panel Members have indicated that it would be particularly helpful if the following questions could be addressed in responses:

Q1: Please provide as much information and analysis to support your response, particularly any justification for why any particular class should, or should not, attract unidentified gas costs.

We are not in a position to accurately quantify the impacts of either proposal given that they relate to gas flows and customers outside of our network.

Q2: We welcome views on the attribution of unidentified gas costs under these modifications to NTS direct-connected sites.

There should be no such attribution of unidentified gas costs to NTS direct-connected sites under 0473 and 0473A since the quantity of UAG is determined from the amount of gas metered at the various points of entry of the gas into the Distribution Networks and therefore cannot include any losses associated with NTS connected loads or the NTS network. We acknowledge that National Grid Distribution issued a note (20/10/2014) which clarified that the text for Modification Proposal 0432 indicates the unidentified gas adjustment is for the LDZ connected customers only.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

No, but see comments below under the Legal Text section.

Relevant Objectives:

National Grid NTS agrees with the Draft Modification Report's assessment that there would be a positive impact under Relevant Objective f) (securing of effective competition) from both 0473 and 0473A.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

N/A

Implementation:

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What lead-time would you wish to see prior to this modification being implemented, and why?

N/A

Legal Text:

Are you satisfied that the legal text and the proposed ACS (see www.gasgovernance.co.uk/proposedACS) will deliver the intent of the modification?

Given the confusion over whether NTS direct-connected sites were covered by 0473/0473A or not, we believe it would be helpful if the legal text for both Modifications could be amended such that the term 'Transporter' is replaced by 'relevant Transporter' as this would clarify that these arrangements apply, in turn, to the network to which the customer's site is connected.

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

No