

Representation - Draft Modification Report UNC 0667

Inclusion and Amendment of Entry Incremental Capacity Release NPV test in UNC

Responses invited by: 5pm on 21 May 2019

To: enquiries@gasgovernance.co.uk

Representative:	Chris Wright
Organisation:	ExxonMobil
Date of Representation:	21 May 2019
Support or oppose implementation?	Support
Relevant Objective:	a) None d) Positive

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

It has become evident through South Hook Gas’s experiences that the PARCA process is flawed when applied to an existing entry point. The main issue, as highlighted in this modification proposal, is the requirement for a PARCA applicant to signal capacity in excess of their actual requirement, at a cost that significantly exceeds the financial commitment under the NPV test. This issue was neither envisaged nor intended when the PARCA process was developed, and represents a significant departure from the established NPV test that preceded PARCA. This proposal 0667 has been extensively developed and puts forward a pragmatic solution to the current, deficient NPV test process contained within PARCA.

In addition to the positive impacts against the relevant objectives as highlighted in the modification proposal itself, we believe that there is a further pro-competition benefit. Where a shipper is required to pay excessive charges for unwanted and unused capacity, this over-payment will cross-subsidise other system users. 0667 would correct this effect.

We also agree with the proposal to include this revised NPV test within the UNC. We believe that in this instance, doing so could facilitate a more agile change process. This accords with the aspirations set out by the Secretary of State for Business, Energy and Industrial Strategy and is a focus for the BEIS/Ofgem code governance review.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

Given the potential materiality of this proposal, we agree that implementation through Authority Direction is appropriate. That said, we'd highlight that these proposed changes provide only a positive impact against the relevant objectives.

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

Implementation should be as soon as reasonably practicable.

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

We believe that any User who attempted to utilise this current process would face significant additional costs, administrative challenges and project uncertainties. These would also extend to National Grid as the counterparty to any PARCA.

We would therefore expect implementation of this proposal to bring about significant future cost reductions, both under a PARCA contract and in the administration of the overall PARCA process. It is not possible to quantify these savings as they would depend upon the individual project.

Implementation of this proposal would impose no additional cost on any parties, whether directly engaged with the PARCA process or not.

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

Yes.

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

None.