

Representation - Draft Modification Report UNC 0686

Removal of the NTS Optional Commodity Rate with adequate notice

Responses invited by: **5pm on 07 June 2019**

To: enquiries@gasgovernance.co.uk

Representative:	Paul Youngman
Organisation:	Drax
Date of Representation:	07 June 2019
Support or oppose implementation?	Oppose
Relevant Objective:	<p>C) Negative</p> <p>d) Negative</p> <p>g) Negative</p>
Relevant Charging Methodology Objective:	<p>a) Negative</p> <p>b) Negative</p> <p>c) Negative</p> <p>e) Negative</p>

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

Drax opposes the modification on the following basis

Relevant objectives

(C) efficient discharge of the licensees obligations - This modification does not enhance efficient discharge of licensee's obligations as it only deals with a specific element of the current charging arrangements. In doing so this modification undermines the basis of the charging review and is therefore negative compared with the baseline arrangements

(d) The modification does not secure effective competition and in all likelihood lead to parties disconnecting from the NTS. This would in turn lead to a greater proportion of costs being levied on (fewer) remaining customers.

(g) The modification does not ensure compliance with any binding decisions of the EC or Agency for the co-operation of Energy Regulators. It is noted that for modification 678 legal opinion provided that optional charging is compliant with the NC TAR.

Relevant Charging Objectives

(a) Implementation of this modification would not result in charges which reflect the costs incurred by the licensee in its transportations business. The OCC was introduced because it is more cost reflective of exit and entry points that are located in close proximity. Removal would therefore make the arrangements less cost reflective.

(b) This modification has not taken account of developments in the transportation business as it does not take a holistic view of the charging arrangements or the modifications that have been developed to address future charging arrangements including modification 0670R.

(c) As above the modification does not facilitate effective competition. Also the modification makes no reference to the potential impact and distortion upon the power market if this change were to progress.

(e) As above the modification does not ensure compliance with any EU legislative requirement.

With respect to relevant objective (a) there is also a detrimental effect as there would be operational and economic impact on the pipeline system, as sites and users will be incentivised to build private pipelines. As highlighted above this would have a distortive impact on competition and increase charges for consumers including Distribution Networks and their customers.

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

This modification should not be made as it does not take a holistic approach to the charging arrangements and introduces distortions that may lead to increased costs to consumers. October 2019 implementation is in our view undesirable and would lead to a negative impact on the gas and power markets that have not been assessed or addressed by the proposer. We also recognise that the ACER and Ofgem decisions on mod 0678 also are in train and that introducing this modification would alter the baseline tha teither of those decisions may be based on.

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

Insert Text Here

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

Insert Text Here

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.*

Insert Text Here

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

Insert Text Here