

Joint Office

enquiries@gasgovernance.co.uk

27 April 2020

Dear Sir or Madam,

Re: 0721U Shipper submitted AQ Corrections during COVID-19

Thank you for the opportunity to provide representation on the above noted Urgent Modification Proposal. Please find below Northern Gas Network's (NGN) comments in respect of this change. Given the urgency of this proposal we have not had sufficient time to carry out detailed analysis of the impacts of this proposal.

NGN opposes this Urgent Modification Proposal.

Reason for support/opposition:

Please summarise (in one paragraph) the key reason(s)

Whilst we agree that there is a benefit to shippers in the short term, there is a longer term impact that would be felt by the implementation of this solution that outweighs the short term benefits.

The reduction in AQ will have an impact on Transportation Charges, which is governed by our licence, including requirements to collect revenue as closely as possible to allowed revenue each year. To avoid breach of these licence conditions the Transportation Charges may need to be amended, which could trigger a request for an 'in year' price change, having an impact on all shippers creating more volatile and less predictable charges. We therefore feel that overall this modification has a negative effect on the relevant objectives, by being neutral against further Relevant Objective d) *Securing of effective competition*, and negative against Relevant Objective c) *Efficient discharge of the licensee's obligations*.

Implementation:

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

This proposal could be implemented as soon as Ofgem approval is received.

Impacts and Costs:

What analysis, development and ongoing costs would you face?

There is a risk of atypical usage flowing through to the Formula Year AQ (FYAQ) which would need to be corrected back to normal consumption levels promptly after the COVID-19 period ends. This could have a negative impact on Transporter revenue while the temporary AQ is in place as stated above.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the Solution?

We believe the legal text provided should deliver the Solution set out in the modification.

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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.

We note that there is no impact on Transporters referenced in this Modification which is incorrect given the impacts on Transportation Revenue discussed above. We believe this omission is material and needs to be considered. This change could create a cross subsidy of Transportation Charges into the domestic market, who are excluded from the scope of this proposal.

During workgroups where the potential solutions relating to COVID-19 impacts have been discussed, it has been highlighted that the AQ correction had a number of long term impacts that would need to be unpicked to correct AQs back to a normal basis. We therefore believe that should this modification proposal be implemented, that the proposer, with the support of the rest of industry, should immediately start working on how the consequential impacts of this modification could be minimised.

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

None.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

Tracey Saunders (via email)
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Mobile: 07580 215 743

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