

Representation - Draft Modification Report 0539 Removal of NTS Exit Commodity Charges for Distributed Gas

Responses invited by: **08 October 2015**

To: enquiries@gasgovernance.co.uk

Representative:	Ricky Hill
Organisation:	British Gas Trading Ltd
Date of Representation:	8 th October 2015
Support or oppose implementation?	Oppose
Relevant Charging Methodology Objectives:	a) Negative b) Negative c) Negative

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

Centrica is a strong supporter of cost reflective charges and as such would support the principle of excluding certain Users from NTS charges if it can be proven that they are not using the NTS network. However, we do not believe it has been proven that Modification 0539 would result in charges that are more cost reflective and, furthermore, we have concerns that it could actually introduce a cross-subsidy between Users. We have 3 key concerns: 1. This modification report does not identify what costs the NTS exit commodity charges recover and hence whether the full rebate is justified. 2. The modification provides the rebate (of the TO and SO commodity charge) at the DN Entry point to offset the application of the NTS Exit commodity charges at the DN Supply Point. However, DN entry users may be different to the exit users and hence there is a question as to whether the rebate would be accurately targeted. 3. As the allowed revenues permitted to DNs do not anticipate the DNs funding the services paid for by the NTS Exit Commodity Charges, we would assume that DN Users will pick up the shortfall. It could be argued that this would introduce a cross subsidisation between the remaining customer base of the DN and Users of the NTS.

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

We prefer charging changes to be implemented at the beginning of the gas year, so October 2016.

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

Negligible

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

Yes

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

Q1: Please provide clear views and supporting evidence on the self-governance status of this modification focusing, in particular, on whether this proposal is likely to have a material impact upon competition in the shipping, transportation or supply of gas.

The small volumes affected by this modification mean that the immediate impact would be minimal. However, going forward, the volumes of gas injected into the distribution network could increase significantly thereby having a more material impact on competition between shippers. We therefore do believe that this modification should not be subject to self-governance.

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.*

Although we acknowledge that no alternatives to this modification were raised through the work group process, the points we raise in opposition to the proposals suggest that robust consideration of alternatives would be beneficial

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