

## Representation - Draft Modification Report 0541A/B

### Removal of uncontrollable UNC charges at ASEPs which include sub-terminals operating on a 06:00 - 06:00 Gas Day

Responses invited by: 5pm 11 April 2016

<b>Representative:</b>	Amrik Bal
<b>Organisation:</b>	Shell Energy Europe Ltd
<b>Date of Representation:</b>	11 April 2016
<b>Support or oppose implementation?</b>	0541A - Support 0541B - Support
<b>Alternate preference:</b>	<i>If either 0541A or 0541B were to be implemented, which would be your preference?</i>  We support both proposals. However, due to its <i>ex-ante</i> approach, we would express a preference for 501A.
<b>Relevant Objective:</b>	<b>d)</b> Positive  <b>g)</b> Positive

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

The CAM and Gas Balancing EU Network Codes did not anticipate the significant issues created by adoption of a new 5-5.00am downstream gas day in Great Britain. Producers and shippers should, therefore, be commended for investing significant time and resources to developing a 'workaround' solution that mitigates the subsequent gas allocation difficulties due to some terminals continuing to operate on a 6-6.00am basis.

While the subsequent scaling algorithm solution does allow for different gas days to operate, shippers at 6-6am terminals now face unanticipated costs arising from scheduling, daily imbalance and capacity overrun charges. Crucially, shippers can't control these costs.

UNC Modification Proposal 541(A&B) will address this situation by restoring the level playing field for all NTS shippers that existed prior to October 2015. In doing so, it will also remove a cross-subsidy between shippers at different terminals.

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

We would support immediate implementation.

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

We have yet to identify any significant development or ongoing costs.

**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: Respondents' views are requested on the applicability of User Pays arrangements, with supporting reasons.*

We see no justification for a User Pays approach. UNC Modification Proposal 541 seeks to address an unanticipated and adverse impact of implementing UNC Modification 461, which itself was required to ensure compliance with EU Network Codes.

*Q2: Respondents' views on the six key areas of impact described in the Impact Assessment, in Section 4, of the Draft Modification Report are also invited.*

**Compliance with EU legislation.**

Both proposals would enhance the accuracy and cost-reflectivity of imbalance charges. Implementation of either 541A or B would, therefore, strengthen GB compliance with the EU Gas Balancing Network Code.

**NTS physical needs**

We have not identified any impact on the physical needs of the NTS. Rather, the proposal looks at synthetic imbalances arising due to the hour difference between the two gas days.

**Incentive to balance**

If UNC Modification Proposal 541 is implemented, shippers will have the same, strengthened incentive to balance as applies to shippers at 5-5.00am terminals.

**Impacts on scheduling charges and neutrality**

We consider that there will be a reduction in the scheduling charges to which shippers at 6-6.00am terminals are currently exposed. These charges are in excess of those faced by shippers at other terminals.

We also believe that there will be a reduction in the subsequent neutrality smear that goes from 6-6.00am shippers to those active at 5-5.00am terminals.

**Effect on competition.**

The effect would be positive. Shippers at 6-6.00am terminals will face the same level of exposure as 5-5.00am terminal shippers with regards to imbalance, scheduling and

capacity overrun charges. The equalisation of these risk levels should enhance wholesale market competition.

### **Retrospectivity**

We believe a retrospective reimbursement of charges may be merited in this instance.

**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**

We have no further analysis to add.