

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**

Representative:	Gerry Hoggan
Organisation:	ScottishPower Energy Management limited
Date of Representation:	11 April 2016
Support or oppose implementation?	0541A - Support 0541B - Support
Alternate preference:	<i>If either 0541A or 0541B were to be implemented, which would be your preference?</i> No preference
Relevant Objective:	d) Positive g) Positive

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

We agree with the conclusions of the Workgroup Report that this proposed change will contribute to the offsetting of balancing charges over which shippers at GMT Terminals otherwise have no control and thereby putting all shippers in the same competitive position.

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

We believe that the change should be implemented as soon as practicably possible allowing for the proposed retrospective application, but remaining mindful of the need to afford sufficient lead time for the appropriate changes to be made to the Claims Validation Services Agreement and related ancillary agreements.

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

No significant costs are anticipated.

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

We are comfortable that the proposed legal text will deliver the intent of the Solution.

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 do not believe that User Pays arrangements should apply. This proposed change looks to plug a gap in the overall implementation of the Gas Day change, which in turn was required to comply with the EU Balancing Code, and as such should be met by National Grid via their wider allowance for the implementation of 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.

1. Compliance with EU Legislation

We recognise that there may be something of a tension between apparently conflicting legal requirements and on which there are significantly differing views. Ultimately this question can only fall to be answered elsewhere but in that context we would contend that the overarching obligation on shippers to balance their portfolios should be the relevant guide. This proposed change will assist shippers in fulfilling that and so likewise will assist compliance with those requirements.

2. NTS Physical Needs

We cannot see that this proposal will impact the physical needs of the NTS since it looks to mitigate only synthetic and not physical imbalances.

3. Incentive to Balance

As stated above this proposed change will assist shippers in mitigating imbalances over which they would otherwise have no control or ability to predict.

4. Appropriateness of Scheduling Charges/Balancing Neutrality

We agree with the view expressed in the Workgroup Report that these synthetic imbalances should be removed in total from the neutrality mechanism via the implementation of this proposed change. Failing that then those charges themselves would represent a perverse cross subsidy and distortion of the true position.

5. Effect on Competition

We believe that this proposed change places all shippers on a level footing irrespective of whether they are operating at 5am – 5am or 6am – 6am sub-terminals. As such any advantage that may have accrued to shippers who would not be exposed to such uncontrollable balancing charges would be reduced and the distorting effect that would have on competition would likewise be mitigated

6. Justification Retrospectivity

We agree with the conclusion of the Workgroup Report and that the justification given is consistent with Ofgem's Guidelines on the application of retrospective modifications.

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.*

One fundamental aspect of the proposed change is whether or not it complies with EU Legislation. If it is considered by Ofgem that it is not, and that on that basis they would not be prepared to determine that it should be implemented, then much of the time, resource and cost committed to the development and consideration of the change may ultimately prove to have been futile. An earlier steer in this area would have been beneficial.

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