

UNC 0678J

Charging Regime (Postage Stamp) – Inclusion of
a cost based Optional Capacity Charge



Proposer: South Hook Gas Company Ltd

Panel Date: 21st March 2019

Why change?



- A new transmission charging regime has to be implemented to comply with EU TAR requirements as well as satisfy the various GB Licence Relevant and Charging Objectives
- Mod 0678J has been raised in response to Mod 0678, covering the same Code areas (Gas Transmission Charging Methodology), and should be treated as an Alternative Modification
- Modification 0678 has been granted urgent status by Ofgem who advise that any Alternative should follow the same development timetable

Options



- Modification 0678 looks to implement the minimum requirements of the EU TAR and does not, in the Proposer's opinion, provide a solution in the best interests of GB customers
- South Hook Gas understood that the solution proposed within this Modification would be part of an amended 0678 Modification, however has recently had confirmation that this amendment would not be made, therefore South Hook Gas was required to raise this Modification as soon as possible
- A New Modification not classed as an Alternative would undermine the Code change process, be at odds with the Ofgem advice and result in imperfect governance, procedural and market outcomes

Solution



- The solution contained within this Modification shares many elements with Modification 0678, but differs as follows:
 - Application of Postage Stamp as the Reference Price Methodology
 - Different governance regarding the FCC Methodology where the FCC must be published one month prior to charges being published
 - Introduction of a cost based Optional Capacity Charge
- For the avoidance of doubt, this Modification differs from 0678H due to the differing FCC Methodology governance and the protection of all Existing Contracts from the Transmission Services Revenue Recovery Charge

Recommended Steps



- The Proposer recommends that this Modification should be:
 - Treated as an Alternative to Modification 0678 (and the other Alternatives) and assessed and progressed on the same timetable
 - Not subject to self-governance because of the significant impacts on Users