

## Representation

### Modification Proposal

#### 0417S - Notice for Enduring Exit Capacity Reduction Applications

**Consultation close out date:** 11 June 2012  
**Respond to:** enquiries@gasgovernance.co.uk  
**Organisation:** British Gas Trading Limited  
**Representative:** Chris Wright  
**Date of Representation:** 23 May 2012

#### Do you support or oppose implementation?

Support

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

Centrica broadly supports the principle of User Commitment, but believes this must operate against a background where the user has some reasonable certainty around the financial liabilities they are committing to. The prevailing charging methodology used to set capacity prices at NTS exit points serves significantly to undermine the principles of User Commitment by setting prices which can and do change by double or triple digit percentages, with just a few months notice.

This provides Users with very little certainty around their overall financial commitments over the four year commitment period established in the UNC. Theoretically users can end up paying many times the projected cost for new capacity and we are aware of very real situations where this has happened. This does, of course, raise the question about whether the regime is leading Users towards inefficient investment decisions, and whether it is, overall, fit for purpose.

This modification seeks to emphasise the financial commitment, rather than the four year time limit. This seems entirely reasonable and we support the modification on this basis.

## **Are there any new or additional issues that you believe should be recorded in the Modification Report?**

While this is an entirely valid modification, we nevertheless view this as a sticking plaster in order to address some of the detriment caused by charge volatility, which in turn is driven by what we perceive to be a charging methodology which is not fit for purpose.

We would also see possible benefit in the capacity release regime being reviewed to establish whether more flexibility can be provided to all capacity holders i.e. not just those with User Commitments.

### **Relevant Objectives:**

*How would implementation of this modification impact the relevant objectives?*

We agree with the proposer's view of the relevant objectives which are impacted by this modification.

### **Impacts and Costs:**

*What analysis, development and ongoing costs would you face if this modification were implemented?*

Affected Users will see benefits from being able to relinquish their unwanted capacity early. However, this will inevitably lead to the need to rebalance charges in order that National Grid can achieve its allowed revenue. This could be felt either in higher capacity charges at other exit points, or through the TO Exit Commodity charge.

### **Implementation:**

*What lead-time would you wish to see prior to this modification being implemented, and why?*

Immediate upon direction.

### **Legal Text:**

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

Yes.

## **Is there anything further you wish to be taken into account?**

*Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.*

No.