

## 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](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	Erika Melén
<b>Organisation:</b>	Scotland & Southern Gas Networks
<b>Date of Representation:</b>	6 <sup>th</sup> October 2015
<b>Support or oppose implementation?</b>	Oppose
<b>Relevant Charging Methodology Objectives:</b>	a) Negative b) Negative c) Negative

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

SGN are fully supportive of the entry of gas into the distribution network as a means of both introducing renewable gas sources into the energy mix and providing additional security of supply.

We also agree that these sites should not be subject to transportation charges for parts of the network which they have not encountered.

However, we do not support the solution as proposed by UNC Modification 0539 for a number of reasons:

- As the original charge is made by National Grid Transmission to the relevant shipper it is not cost reflective for GDNs to then provide the rebate of this charge. The solution proposed is contradictory to relevant charging methodology objective a) and our licence and which states that “compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business”
- Any rebate provided by GDNs will be funded through re-distribution of charges across distribution shipper users
- As a majority of distributed gas entry shippers do not hold exit points they would not have received the NTS charge in the first instance. Hence, any rebate is simply a credit to their bottom line whilst the NTS shippers fund the charges

- The solution proposed, being low-cost, will obligate GDNs to simply subtract the NTS rate from our LDZ Entry Commodity charge, not showing a separate charge. Considering the fact the NTS charges may change up to 3 times per year we do not feel that invoices will be easily reconciled by shippers as the final charge will not be broken down to indicate values for each individual charge included

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

GDN processes would need to be developed to identify and incorporate the appropriate rate into our charges

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

Based on suggested solution costs will be minimal

**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.*

Although the impact of this modification is currently minimal due to the small volumes of gas injected into the distribution network this could increase significantly in coming years. If this were to happen then this modification could have a significant effect on competition between shippers. For this reason SGN does not believe that this modification should 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.*

No

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

N/A