

Representation - Draft Modification Report

UNC 0636 0636A 0636B 0636C 0636D

Updating the parameters for the NTS Optional Commodity Charge

Responses invited by: **5pm on 14 June 2018**

To: enquiries@gasgovernance.co.uk

Representative:	Graeme Hunter
Organisation:	Ceres Energy
Date of Representation:	14 th June 2018
Support or oppose implementation?	0636 - Qualified Support 0636A – Oppose 0363B - Oppose 0636C - Qualified Support 0636D – Oppose
Expression of preference	0636 or 0636C but with a more limited exclusion for interconnector points
Relevant Objectives:	<p>Reform of this charge is urgently necessary. It has been neglected since its introduction in 1998 and the creeping extension of the favourable rates has led to two tier pricing of exit points on the basis of type of customer. This is not good for an effective energy market.</p> <p>The balance between beginning the process of reform for the OCC and achieving compliance in 2019 has shifted too far simply to meet objective g). This is a distortion of the costs of transportation for different types of customers and has an unjustifiably large effect on the relation between gas prices in GB and Ireland</p> <p>0636: g) None for 2018/19</p> <p>0636A g) None for 2018/19</p> <p>0636B: g) None for 2018/19</p> <p>0636C: g) Positive</p> <p>0636D: g) Positive</p>

Relevant Charging Methodology Objectives:	<p>0636: a) Positive b) Positive c) Positive e) None in 2018/19</p> <p>0636A: a) Negative b) Positive c) Negative e) None in 2018/19</p> <p>0636B: a) None/minimal b) Negative c) Negative e) None in 2018/19</p> <p>0636C: a) Positive b) Positive c) Positive e) Positive</p> <p>0636D: a) None/minimal b) Negative c) Negative e) Positive</p>
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Reason for support/opposition/preference:

0636

Ceres have a preference for this option. It is a more considered reform and best meets the requirement to reduce the TO cross-subsidy. In general we think that the proliferation of options has stood in the way of optimising this option and so an ongoing process needs to be in place to keep it in line with market developments.

0636A

Ceres oppose this option. The distance is arbitrary and there is no change to the methodology.

0636B

It is our opinion that simply updating the parameters for 20 years inflation is insufficient response to the problem of the mismatch between the intention of the optional shorthaul charge and its extensive utilisation across the network. It is a weak solution in terms of the redistribution of the TO charge. It is also proposed as an enduring solution perpetuating the disconnect between network economics and the tariff.

0636C

Ceres offer qualified support to this option. It is best in terms of a reform which relates to the pipeline economics and redistribution of TO back across most system users. Ceres recognises the issues with EU compliance but this needs only to apply to cross border trade and so exemptions should be limited to true transit routes.

0636D

As with option 636B we consider that RPI escalation is inadequate as a reform and that this option has too little impact on the cross-subsidy through the TO charge.

Implementation: *What lead-time do you wish to see prior to implementation and why? Please specify which Modification any issues relate to.*

It is important to start shifting system users away from the Optional Commodity Charge, therefore it should be implemented as soon as possible.

Impacts and Costs: *What analysis, development and ongoing costs would you face? Please specify which Modification any issues relate to.*

No comments

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution? Please specify which Modification any issues relate to.*

No comments

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 comments

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

No comments