

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:	Andrew Pearce
Organisation:	BP Gas Marketing
Date of Representation:	13 June 2018
Support or oppose implementation?	0636 - Oppose * <i>delete as appropriate</i> 0636A - Oppose * <i>delete as appropriate</i> 0636B - Oppose * <i>delete as appropriate</i> 0636C - Oppose * <i>delete as appropriate</i> 0636D - Oppose * <i>delete as appropriate</i>
Expression of preference:	<i>If either 0636, 0636A, 0636B, 0636C or 0636D were to be implemented, which would be your preference?</i> BP Gas Marketing (BPGM) does not support implementation of any of these proposals. <i>* delete as appropriate</i>
Relevant Objectives:	0636: g) None * <i>delete as appropriate</i> 0636A: g) None * <i>delete as appropriate</i> 0636B: g) None * <i>delete as appropriate</i> 0636C: g) Negative * <i>delete as appropriate</i> 0636D: g) Negative * <i>delete as appropriate</i>

Relevant Charging Methodology	0636: a) Negative
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Objectives:

- b) Negative
- c) Negative
- e) Negative

0636A:

- a) Negative
- b) Negative
- c) Negative
- e) Negative

0636B:

- a) Negative
- b) Negative
- c) Negative
- e) Negative

0636C:

- a) Negative
- b) Negative
- c) Negative
- e) Negative

0636D:

- a) Negative
- b) Negative
- c) Negative
- e) Negative

Reason for support/opposition/preference: Please summarise (in one paragraph) the key reason(s)**0636:**

This proposal updates the OCC formula using the Option 2 formula from the National Grid discussion document GD11. It should be noted that National Grid decided not to implement this formula after consultation with the industry. If this modification were to be implemented users of the OCC tariff will see significant increase in their transportation costs to an extent that some customers will lose all the benefits of the OCC rate.

This solution would also discriminate against IP's if this were to become an enduring solution from Oct 2019.

BPGM is opposed to implementation.

0636A

This modification is intended to be an interim solution. This assumes that modification 0621 or any of its alternatives or 0653 are implemented. If none of these proposals are implemented this proposal would become the enduring solution. However, this would

then discriminate against Interconnection Points once the TAR network code has been implemented within the GB market.

BPGM is opposed to implementation.

0636B

This modification is intended to be an interim solution. This assumes that modification 0621 or any of its alternatives or 0653 are implemented. If none of these proposals are implemented this proposal would become the enduring solution. However, this would then discriminate against Interconnection Points once the TAR network code has been implemented within the GB market.

BPGM is opposed to implementation.

0636C

This proposal exempts Interconnection points until an enduring solution recognising the European Tariff Network Code requirements is implemented. Different treatment of IP's compared to domestic entry/exit points is discriminatory. The proposal sights the anticipated implementation on modification proposal 0621. 0621 and its alternatives are out to consultation at present. There is no guarantee that any of those modification proposals will eventually be implemented.

BPGM is opposed to implementation.

0636D

As with modification 0636C there is an element of discrimination in this proposal by exempting IP's.

BPGM is opposed to implementation.

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

As stated above we do not support implementation of these modifications.

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

0636 analysis states that there would be £220m uplift in revenue between April 2018 and October 2019, if the modification had been implemented in April 2018. BPGM would argue that this is a totally arbitrary figure as the calculation has been done assuming all sites and offtakes using the OCC rate have a flat load profile throughout the year. As this is clearly not the case, power plants and interconnectors are not flat loads, BPGM would suggest that figure would have been substantially lower than £220m. More analysis is required using realistic load profiles before a more reliable figure could be reached.

Additionally, there has been no analysis into the effect these proposals would have on power stations that are using the OCC rate. For some power stations the margins are

extremely tight so any increase in transportation tariffs is going to have a material effect on the viability of that plant.

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

We have no comment to make on the legal text.

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.*

There has been no analysis looking at the effect this proposed change to the OCC rate would have on flows from Norway which have the choice to come to the GB market or go straight to main land Europe. These modification proposals do not consider any drop off in volumes if there was a substantial increase in tariffs.

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

BPGM is concerned that Ofgem have decided not to carry out an Impact Assessment for these proposals. Especially after Ofgem confirmed in the workgroup meeting 4 January 2018 that an Impact Assessment would be undertaken once Ofgem had received the Final Modification Report. Ofgem have a duty to carry out an Impact Assessment if there is a material impact. BPGM would argue that implementation of any one of these modifications would have a material impact on prices for customers and shippers.

As Ofgem have already stated that they will carry out an Impact Assessment for modification 0621, and within that proposal there is a change to the OCC rate. BPGM would suggest that Ofgem should hold off on making a decision on implementation of these modifications until that IA has been completed.

Modification 0621 or any of the alternatives are due to be effective from 1 October 2019. Within the majority of the modification proposals there will be a change to the OCC rate. By implementing 0636 before 0621 there will be significant disruption for OCC users who will see two major changes in tariff in a year. Most contracts will have a start date of October. The uncertainty that these proposals have caused is already hindering the renewal of these contracts.

It should also be noted that modification 0653 is also looking to amend the OCC rate from 2019.

