

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

<b>Representative:</b>	Anna Shrigley
<b>Organisation:</b>	Eni Trading & Shipping SpA (hereinafter ETS)
<b>Date of Representation:</b>	13 June 2018
<b>Support or oppose implementation?</b>	0636 - Oppose 0636A - Oppose 0636B - Oppose 0636C - Oppose 0636D - Oppose
<b>Expression of preference:</b>	<i>If either 0636, 0636A, 0636B, 0636C or 0636D were to be implemented, which would be your preference?</i>  N/A
<b>Relevant Objectives:</b>	0636: <b>g)</b> Negative  0636A: <b>g)</b> Negative  0636B: <b>g)</b> Negative  0636C: <b>g)</b> Negative  0636D: <b>g)</b> Negative

<b>Relevant Charging Methodology Objectives:</b>	<p>0636:  <b>a)</b> Negative  <b>b)</b> Negative  <b>c)</b> Negative  <b>e)</b> Negative</p> <p>0636A:  <b>a)</b> Negative  <b>b)</b> Negative  <b>c)</b> Negative  <b>e)</b> Negative</p> <p>0636B:  <b>a)</b> Negative  <b>b)</b> Negative  <b>c)</b> Negative  <b>e)</b> Negative</p> <p>0636C:  <b>a)</b> Negative  <b>b)</b> Negative  <b>c)</b> Negative  <b>e)</b> Negative</p> <p>0636D:  <b>a)</b> Negative  <b>b)</b> Negative  <b>c)</b> Negative  <b>e)</b> Negative</p>
--	--

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

**0636:**

Discriminating against IPs

**0636A**

Discriminating against IPs

**0636B**

Discriminating against IPs

**0636C**

Discriminating against domestic points

**0636D**

Discriminating against domestic points

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

N/A

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

N/A

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

N/A

**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.*

The report does not supply sufficient evidence on what impact the five proposed options will have on the users and redistribution of the revenue. Therefore it is absolutely necessary to conduct an Impact Assessment before any decisions are delivered.

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

ETS does not support any of the five proposals to change the Optional Commodity Charge (OCC) because we believe that the underlying issue is not with how the NTS OCC is calculated but with how the current charging regime is set to work. For example, the current regime offers a price discount of up to 100% for short-term entry capacity. As a consequence, the current regime provides all gas shippers with a large incentive to secure their capacity on a short-term basis, mostly at zero price. Because large quantities of short-term capacity are sold at zero price, this results in a large TO capacity revenue shortfall. This shortfall is then resolved by the application of the very high TO commodity charge and it is precisely this latter point that makes the NTS OCC viable for use over even greater distances than originally expected.

ETS does not believe that the NTS OCC formula needs to be updated. Historical records show that the current Optional Commodity Tariff is adequate for a regime with moderate commodity charge.

If any of the five proposals is implemented, there will be a significant impact on the value to be obtained from the NTS OCC from 1 October 2018 and, consequently, on how the revenue is redistributed between the users. The market will have hardly any time to adjust to this significant change before it is superseded with even more significant changes on 1 October 2019 when the New Charging Regime is implemented. Two significant charging changes in one year will not only increase tariff uncertainty for NTS

users but will also make it more difficult to conduct any commercial agreements between NTS users.

All five proposals will result in material changes in the transportation tariffs and will have significant impacts on commercial relationships and consumers. Additionally, the analysis provided is not sufficient to properly quantify the impacts on:

- Individual customers and sectors
- The UK economy and security of supply
- Contractual and trading disruptions
- Real impacts on all customers (the analysis provided does not assume any variations in demand by OCC users if the new charges are implemented; hence there is a significant potential that benefits to domestic customers may be overestimated).

In our view, it is necessary that an Impact Assessment be conducted before any of the Mods are implemented.