

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:	
Organisation:	Flogas Britain Ltd
Date of Representation:	14 June 2018
Support or oppose implementation?	0636 - Qualified Support 0636A – Oppose 0363B - Oppose 0636C - Qualified Support 0636D – Oppose
Expression of preference:	<i>If either 0636, 0636A, 0636B, 0636C or 0636D were to be implemented, which would be your preference?</i> 0636 or 0636C with proposed modification
Relevant Objectives:	Flogas have no comment on the relative suitability of the different options for compliance with EU regulation. This could be an interim solution. Flogas are keen to see the discriminatory pricing between exit points reduced. Domestic and commercial customers in Great Britain are picking up the avoided costs of power stations through a two tier charging system which is not fit for purpose and becomes increasingly out of date. European compliance is yet another cause for delay in addressing the problem which burdens small customers and the scope and variety of options for UNC Mod 621 make early resolution unlikely.

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) 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: Please summarise (in one paragraph) the key reason(s)

Flogas prefer options which make a real reduction in the level of cross-subsidy being taken from the domestic and commercial customer through the TO charge. Reducing the benefit of OCC through a more cost-reflective charge keeps the costs in the appropriate market. Domestic gas suppliers operate in a market where consumers are in general angry and suspicious with suppliers typified by the Big SIX. The continual delay in not addressing a problem which keeps getting worse as the tariff remains in 1998 further discredits the industry.

We note that the option of straight abolition was not considered. As Mod 621 notes this is not an expanding network and we question whether it is necessary to influence new investment.

0636

Flogas prefer this option. It is a more extensive update for the formula and it makes real inroads into the cross-subsidy in the TO charge which is unduly attributed to the domestic and small-commercial market.

0636A

Flogas oppose this option. Although it seems to be recognising the original intention of the tariff, any distance cap is simply arbitrary if the formula is not updated. The level off improvement in cost-recovery is low.

0636B

When nothing has been done with the level of charge for 20 years a simple escalation of the linear coefficients by RPI is not sufficient.

0636C

Flogas is not in a position to comment in detail on the arguments on harmonising compliance. However if exclusion of the interconnectors is necessary to get an early implementation, Flogas would be content to see routes truly connecting trade across countries being excluded from the change; this would be only between entry and exit points connected to another country.

0636D

The same objections apply as to 636B.

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

The change 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.*

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