

VERMILION  
ENERGY



## **MOD 0686: Removal of the NTS Optional Commodity Rate with Adequate Notice**

Proposer: Henk Kreuze, Vermilion Energy Ireland Limited  
Panel Date 18 April 2019



# Why Change?

- Mod 621 Decision: current OCR not compliant with Tar Code
- All Mod 678 and Alternatives propose removal of this OCR
- Methodology should be in place by 31 May 2019 but this is very unlikely to be achieved with Mod 0678
- New Charges should be effective from 1 October 2019 but this could be with short notice
- OCR should be withdrawn from 1 October 2019 for compliance and specifically to remove a market distortion
- Stakeholders have asked for as much notice as possible



# Governance – straight to Consultation

- Modification simply removes a non-compliant charge
- Analysis has been provided within the Modification
- What could Workgroup add to this? Analysis is already consistent with Mod 0678 analysis and goes further than that provided in Mod 0678
- The proposal is consistent with Mod 678 and all alternatives in proposing removal of the OCR
- Mod 0678 already covers the potential for a capacity based OCR if required
- Suggest normal 15 days for consultation.

# Options

- As the methodology underpinning the OCR and the associated formula is contained within the UNC, removal of the charge will require a change to Section Y and Section B of the UNC
- The text has already being developed under Mod 0678

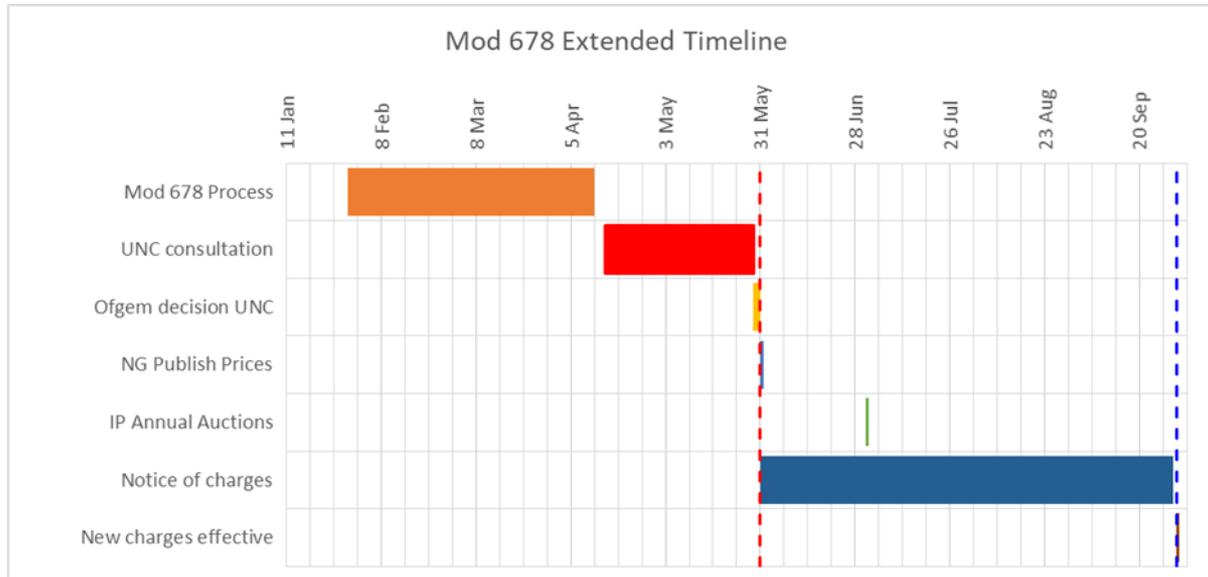
# Recommended Steps

The Proposer recommends that this modification should be:

- Not subject to self-governance because of the estimated cross subsidy of around £150m per annum
- Straight to consultation.

# Why change now?

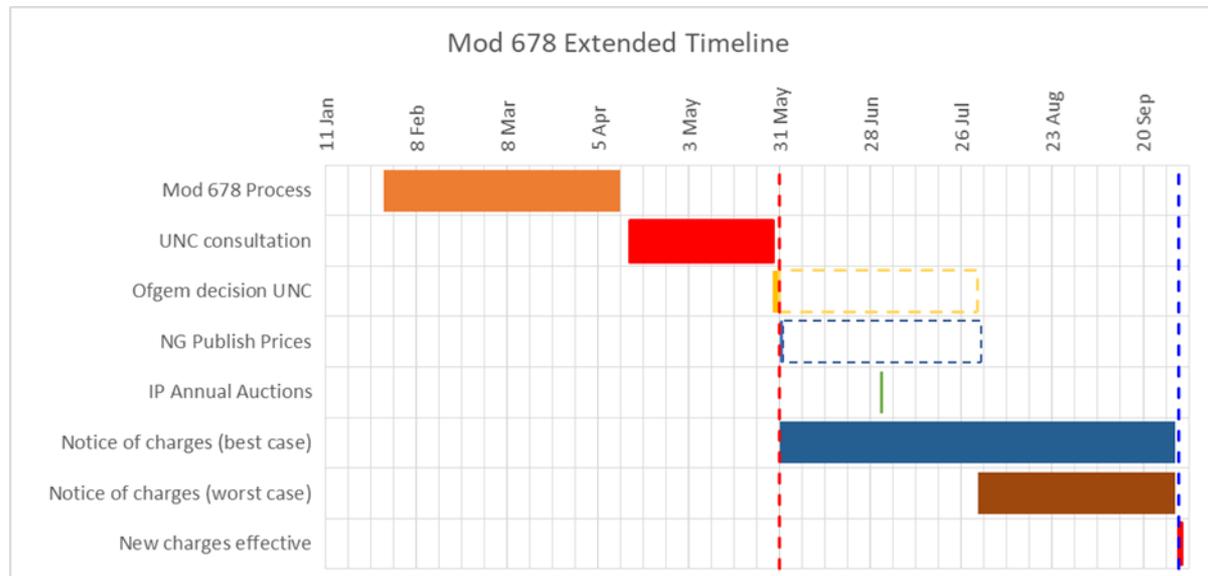
## Timeline 1



Would provide reasonable notice of change but  
NO time for Ofgem decision for compliant methodology by 31 May 2019

# Why change now?

## Timeline 2



More time for Ofgem decision for compliant charges by 1 October 2019 BUT

- would provide ONLY 2 months notice of change AND
- would be after the IP Auctions