

Representation - Draft Modification Report 0563S

Moving the NTS Optional Commodity Charge Formula into the UNC

Responses invited by: **15 January 2016**

To: enquiries@gasgovernance.co.uk

Representative:	Thomas Dangarembizi
Organisation:	National Grid
Date of Representation:	15/01/2016
Support or oppose implementation?	Qualified Support
Relevant Objective:	b) Impacted e) None

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

National Grid offers qualified support to this modification. We believe that putting the NTS Optional Commodity charge formula into the UNC is good governance which we consider would be a positive step. However the reason we offer only qualified support is that UNC Modification 0563S essentially places a fixed price into the UNC which we believe goes against the relevant objectives. This, in our view, is not in keeping with the principles for updating other charges outlined in the UNC (such as NTS Entry / Exit Capacity and NTS Entry / Exit Commodity charges) as these set out the formula(s) without fixed prices. National Grid believes there is merit in looking to harmonise the governance approach by including the NTS Optional Commodity charge formula into the UNC but that this should not include fixed prices. Also we believe that the methodology would remain unchanged and that as the methodology is currently published there is no improvement with regards to the transparency of the NTS Optional Commodity charge over the current arrangements.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

National Grid does not agree that this modification should be self-governance as there may be a material impact on consumers. Moving the existing NTS Optional Commodity charge formula from The Statement of Gas Transmission Transportation Charges to UNC Section Y essentially places a fixed price into the UNC. This means that a UNC Modification is required whenever we seek to update the charge (not simply when we

seek to amend the formula) which is not in keeping with all other charges. National Grid believes that this Modification impacts on our ability to regularly update charges to be more cost reflective without the need for UNC changes, for example through updating cost inputs, and may materially affect consumers over time as it locks in a fixed tariff for those on the NTS Optional Commodity charge and this would be paid for by those not on the NTS Optional Commodity charge.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

If implemented as a Self-Governance modification it could be 16 business days after the Mod Panel decision to implement. If the Mod is determined to not be Self-Governance implementation should be as soon as possible after the Ofgem decision.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

There are no systems development costs associated with this modification.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

National Grid is satisfied that the Legal Text delivers the intent of the modification proposal.

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

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

Whilst National Grid believes that there is merit in putting the NTS Optional Commodity charge formula into the UNC we believe that UNC Modification 0563S essentially places a fixed price for NTS Optional Commodity charges into the UNC, requiring a UNC Modification to make any update to the NTS Optional Commodity charges. This is not in keeping with the existing principles as applied to other charges such as NTS Exit/Entry Capacity charges and NTS Exit/Entry Commodity charges whereby charging updates can be made without a UNC change as the UNC details the principles/formula relating to the charge rather than the price itself.

National Grid has discussed at NTSCMF, and through NTS Gas Charging Discussion Document (NTS GCD11), our concerns with the NTS Optional Commodity charge and potential options to change the charge to make it more aligned to the GB Charging Framework. This has included highlighting the difference in charges for shippers utilising the NTS Optional Commodity charge and those not on the NTS Optional Commodity charge. National Grid continues to believe that further industry discussions are required regarding updating the NTS Optional Commodity charge.

