Representation

Draft Modification Report

0356/0356A: Demand Data for the NTS Exit (Flat) Capacity Charges Methodology

Consultation close out date: 06 January 2012

Respond to: enquiries@gasgovernance.co.uk

Organisation: Association of Electricity Producers

Representative: Julie Cox

Date of Representation: 06 January 2012

Do you support or oppose implementation?

0356 - Not in Support

0356A - Support

If either 0356 or 0356A were to be implemented, which would be your preference?

Prefer 0356A

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

The Association considers that the current methodology was developed following extensive debate within the industry and best meets the charging objectives of being cost reflective and is consistent with the costs incurred in developing the network. However we acknowledge that this model has become unworkable due to NTS supplies being less than obligated exit capacity levels. At the same time there seems to have been a divergence between baselines and connected load.

We also acknowledge that for the indicative charges currently published there are only relatively small differences in the prices derived for either modification, although how this may change in the future is unclear. Therefore it seems that any decision between the two options must be made on principles in relation to the input data. Transparency of data was a key issue at the time of decision for GCM05 which moved from the use of forecast data to baselines, this transparency of data was thought to facilitate competition[1].

0356 The principal reason for being unable to support mod 356 is the lack of transparency of the input data for the forecast undiversified peak day demand that this option uses. During the development process there were numerous requests for the input data and charges to be published in an accessible format to facilitate discussion and analysis of the two options this data was not forthcoming.

0356A The principal reason for offering support for mod 356A is that it uses data that is publicly available as input data.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

The absence of input data publication for mod 356 has meant that there has been no scrutiny of NG forecast data or opportunity to discuss the variations in forecast data from baselines or bookings. This has limited comparison and analysis of the two proposals. Furthermore the provision of indicative prices only in .pdf format has limited analysis of these charges.

Relevant Objectives:
How would implementation of either of these modifications impact the relevant objectives?

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[1] http://www.nationalgrid.com/NR/rdonlyres/C987719A-F76D-4EE4-A4D4-F915F8CF4AB9/33229/GCM05decisionletter.pdf

Cost reflectivity – both proposals further cost reflectivity as opposed to the status quo where we have a 'broken' charging methodology. Either proposal would provide a workable methodology and hence more cost reflective charges than making no change.

The final modification report considers that 356 might further cost reflectivity objective more than 356A since it takes into account information beyond capacity bookings, but as investment is driven by user signals via bookings this would seem to be a marginal issue.

Developments in the transportation business – Both proposals address such developments by proposing a workable methodology

Competition – Basing the charging methodology on transparent data so that users can replicate the methodology and undertake their own modelling of future charges is consistent with facilitating competition.

Basing charges on bookings is expected to provide for more stable charges than basing them on forecasts since the inputs will not be based on opaque assumptions and exit capacity bookings are expected to be stable going forward. Increased predictability of charges reduces risk to shippers and suppliers and promotes competition.

We do not consider the approach under 356A to be discriminatory since the drafting sets demand at bidirectional points to zero.

We would also not envisage any change to booking strategies arising from this modification such that short term bookings become more favoured.

Data Transparency – We understand that mod 356 proposes to include a change to section O of the UNC to facilitate the publication of additional data at individual exit points up to Y+4 rather than Y+2, If this proposal is approved then this is to be welcomed. However we understand there are limitations with this in that the data may only be published at or around the same time as the Ten Year Statement (TYS). The proposal suggests that this data should be used as input data for the charging model however NG updates its demand forecasts following the TBE consultation which takes place early in the year; so that the most up to date demand data would not be used for setting charges actual or indicative if Mod 356 is implemented.

Impacts and Costs:
What analysis, development and ongoing costs would you face if either of these modifications were implemented?

None

Implementation:
What lead-time would you wish to see prior to either of these modifications being implemented, and why?

We would hope to see a decision prior to May 2012 so that indicative charges for the July application window 2012 can be based on a workable charging methodology.

Legal Text:
Are you satisfied that the legal text will deliver the intent of either of these modifications?

Yes

Is there anything further you wish to be taken into account?
Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.