

Representation

Draft Modification Report

0501 0501A 0501B 0501C – Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations

0501 – Treatment of existing Entry Capacity Rights at the Bacton ASEP

0501A – including capacity return option

0501B – including a restricted capacity return option

0501C – including a capped capacity return option and an aggregate overrun regime

Please note that if you wish your representation to be treated as strictly confidential please clearly mark it as such.

Consultation close out date: 12 February 2015

Respond to: enquiries@gasgovernance.co.uk

Organisation: BG International

Representative: Rachel Turner

Date of Representation: 12 February 2015

Do you support or oppose implementation?

0501 - Oppose

0501A - Neutral

0501B - Neutral

0501C – Support

If either 0501, 0501A, 0501B or 0501C were to be implemented, which would be your preference?

Prefer 0501C

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

Through the splitting of the Bacton ASEP, the product and flexibility that Users originally committed to purchase has fundamentally changed. As a result, we feel it is appropriate to give Users an opportunity to return Bacton entry capacity to National Grid. We also support Users being provided a further opportunity to hand back capacity if, through a new ASEP being over-subscribed, it is allocated capacity at the other new ASEP over and above what it requires. We agree that this will reduce the amount of sterilised capacity. In addition, through the aggregate overrun regime, 0501C allows Users to use their Unutilised Residual Capacity flexibly between the two new ASEPs, thereby protecting those rights that were originally acquired. We

agree that this will reduce the risk of artificial constraints and unwarranted incremental investment signals to National Grid.

Modification Panel Members have indicated that it would be particularly helpful if the following questions could be addressed in responses:

Q1: Do you agree Modification 0501C should be considered a User Pays Modification; if so do you agree with the proposed split for recovering costs?

No we do not agree that this should be considered a User Pays modification. There is no additional service or benefit being provided to capacity holders by this Modification. Mod 501C aims to preserve the service that was originally bought by Users.

Q2: Do you have any specific views on the optionality to flow (as proposed by 0501C) following the proposed creation of the Bacton and IP ASEPs?

We support this concept as it seeks to maintain the product and flexibility that Users originally committed to purchase. We believe that this will reduce the risk of artificial constraints and unwarranted incremental investment signals to National Grid.

Q3: 0501C proposes that shippers with Bacton UKCS Residual Capacity, and that need to buy Bacton IP bundled capacity in order to flow via an interconnector, should receive a rebate for the additional Bacton capacity that was purchased. What are your views on whether the shipper should offer one of the elements of the Bacton capacity back to the market in advance of the particular gas day in order to receive the rebate? Conversely, what are your views on providing a rebate if the shipper retains the optionality to flow via both routes (whether or not they actually choose to do so)?

We do not agree that Users should have to pay twice for the same product which will be the case for a holder of Bacton entry capacity who must purchase bundled capacity if it wishes to flow via an interconnector. Capacity provides a shipper with the optionality to flow, not an obligation, so this should apply whether or not a shipper actually chooses to flow against that capacity.

Q4: What do you think the impact will be on the TO entry commodity charge of the possibility to hand-back capacity in each of the alternatives 0501A, 0501B and 0501C?

It is extremely difficult to comment on the impact of each of the Modifications on TO entry commodity charges. We do not know how holders of Bacton entry capacity will behave following implementation of a particular modification, how much capacity will be held and how much will be returned to NG. In addition, there needs to be more clarity on the impact on TAR and the outcome of the review of GTCR.

Are there any new or additional issues that you believe should be recorded in the Modification Report (please specify by each modification)?

No.

Self Governance Statement

Do you agree with the Modification Panel's decision that these modifications should not be self-governance modifications?

Yes

Relevant Objectives:

How would implementation of one of these modifications impact the relevant objectives (please specify by each modification)?

We agree with the observations made in the Modification Report regarding the relevant objectives.

Impacts and Costs:

What analysis, development and ongoing costs would you face if one of these modifications were implemented (please specify by each modification)?

No comment.

Implementation:

What lead-time would you wish to see prior to one of these modifications being implemented, and why (please specify by each modification)?

We would like to see implementation as soon as possible in order to meet the deadline of 1st November 2015.

Legal Text:

Are you satisfied that the legal text will deliver the intent of each of these modifications?

No comment.

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 (please specify by each modification).

No.