

Representation

Draft Modification Report

0374 - Interruptible to Firm – Supply Point Transition

Consultation close out date: 12 August 2011
Respond to: enquiries@gasgovernance.co.uk
Organisation: Corona Energy
Representative: Richard Street
Date of Representation: 12th August 2011

Do you support or oppose implementation?

Support

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

Ratchets were created to be a strong incentive for firm LSP customers to avoid putting the system at risk by off taking more gas than they had booked and therefore the system may not be capable of supporting. Established firm customers have previous experience to draw on to avoid these charges and new customers are more likely to have accurate site-works information. As these previously interruptible customers were not subject to these arrangements before they became firm they are much more likely to accidentally under or overbook capacity. This modification would provide a 'soft-landing' to allow them to book capacity on an equal footing with other users.

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

As ratchet charges are smeared back via the 'K' mechanism avoiding a period in which abnormally high charges are levied this will assist the Networks in having stable transportation charges. It would also avoid the suggestion that shippers/suppliers may inappropriately benefit financially from the interruptible to firm transition period.

CE would like to add that it is surprised that the Draft Modification Report suggests that Transporters and some suppliers have expressed concerns that this modification may encourage these sites to provide inaccurate SOQs which 'may create material risk'. This appears to ignore:

- a) Most of these sites will have been operating without ratchet charges for decades. As CE is confident that the HSE and Ofgem would not allow the Transporters to operate a materially unsafe network it is unclear how this could be the case.
- b) As with all DMs these sites would be subject to Bottom Stop SOQs ensuring that booked capacity levels would be no less than those used in the previous year. This automatic process negates the suggestion that shippers should use the previous periods 'daily consumption information'.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

CE agree with the proposer that implementation of this proposal is consistent with efficient discharge of the licensee's obligations, as it allows time to establish appropriate SOQ levels without the risk of suffering penal charges thereby maintaining fair competition.

It will also ensure competition is not distorted by pure or mainly RBD shippers benefiting from the smearing of these charges.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

Despite there being some minor costs in administration of the process which CE would need to bear, it would still support this proposal as it believes it substantially benefits its customers.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

If implemented, we would wish to inform our customers of the decision immediately. Customers require confirmation on whether charges will be applied in advance of the ratchet period which starts 1st October 2011.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

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.

No