

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: **ESB Energy International**
Representative: Jagtar Basi
Date of Representation: 6th January 2012

Do you support or oppose implementation?

0356 - Support/Qualified Support/Neutral/Not in Support/Comments* *delete as appropriate*

0356A - Support/Qualified Support/Neutral/Not in Support/Comments* *delete as appropriate*

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

Prefer 0356 or ~~0356A~~ *delete as appropriate*

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

0356

Cost reflective pricing is important as is transparent and reliable forecasts. With transparent methodologies and sufficient notification the certainty required for budgeting can be attained. Under and over forecasting through changeable booking patterns will lead to uncertain price forecasts and increased uncertainty. A reliable, published and efficient methodology shared with industry will be preferred. Mod.356 also uses consistent forecast data for all types of exit point avoiding undue discrimination, and would further the competition objective.

0356A

Depending on the exit point there will be unrealistic estimates of the flow assumptions that would arise from using capacity booking data in particular it will be too high at the Moffat exit point for the peak day flow rate. This will give rise to cross-subsidy between shippers.

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

None

Relevant Objectives:

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

Reflecting the costs incurred by the licensee in its transportation business

To avoid cross subsidisation the most realistic flow rate must be used. Any methodology that over or underestimates the peak day flow will lead to cross subsidisation.

With additional information being used in 0356 beyond capacity bookings better forecasts will be obtained by National Grid. This will better inform the cost at that point.

Interaction with reformed exit regime

The calculation of price needs to be cost reflective, not dependent on booking behaviour which can be an intent which may not be realised. As an investment signal actual usage will reflect the best signal going forward.

Taking account of developments in the transportation business

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Facilitating effective competition between gas shippers and between gas suppliers

Cross-subsidy

Pricing must be cost reflective and should not lead to cross subsidisation. Improved cost reflectivity under Mod.356 would reduce cross subsidies and thereby further facilitate competition.

Undue discrimination

No modification should treat exit points differently. Our understanding currently indicates that Mod.356A results in starkly different treatments for certain exit points, for example the Moffat Interconnector and the Bacton (IUK) Interconnector exit points. The Moffat exit price is based on booked capacities of around 435GWh/d whilst the exit price for the Bacton (IUK) Interconnector (which we understand has booked exit capacity of over 550GWh/d) is based on zero assumed peak day flow.

Mod.356 avoids undue discrimination and the need for special treatments by the consistent use of forecast data for all types of exit point, and would therefore further the competition objective.

We do not accept the argument advanced by certain shippers that effectively there is no distinction between the modifications, as both would assume zero peak day flows for bi-directional sites. Mod 356A is unduly discriminatory because it can use either booking data for certain exit points or zero flow assumptions for others, without any underlying rationale.

Transparency, predictability and stability of charges

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 upto Y+4 rather than Y+2, this is welcomed. The timing of the publication of data and its finalisation should be sequenced to be logical and reveal the right information at the right time.

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?

The modification should be implemented in Q1 2012 to allow calculation of prices for the 2012 application window and the 2012/13 gas year.

Legal Text:

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

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.

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DRAFT