

## 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:** Endesa Ireland  
**Representative:** Marian Troy  
**Date of Representation:** 6<sup>th</sup> January 2012

#### **Do you support or oppose implementation?**

**0356** – Support

**0356A** - Not in Support

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

Prefer 0356

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

**0356** If the NTS Exit Capacity Charging Methodology must be changed, it is considered that the methodology proposed in 0356, based on NTS forecast 1-in-20 peak day demand, is preferable to the methodology set out in 0356A on the basis that:

- Under the 0356 proposal, charges are calculated on the basis of more reliable forecast flow rates. Endesa Ireland considers that a forecast by National Grid constitutes the most realistic estimate, as they are compiled in accordance with a transparent and consistent methodology, governed by National Grid's licence requirements. We believe that this should ensure that charges are as cost-reflective as possible under the proposed methodology and do not result in cross-subsidisation between exit points. The alternative proposal in 0356A using capacity bookings taken at a certain point in time, will reflect users' tendencies to over-book or utilise short-term capacity, which are unpredictable and do not necessarily reflect reality. It is not desirable that a behavioural change to booking patterns on the part of users would have an impact on exit capacity prices, although they would not impact upon costs associated with the exit point, as it would make it difficult for users to plan ahead. From users' point of view, reliability and stability is of great importance.
- Consistent methodology is used at all exit points, as opposed to 0356A where bookings are not to be used at bi-directional sites with physical entry capacity; it is felt that this difference in approach could result in cross-subsidies, inefficient cost allocation and undue discrimination, detrimental to the securing of effective competition. Assuming a exit flow of zero for bi-directional points is not realistic and does not allow for changes in market conditions and ignores that in reality market prices determine the direction of flow.
- This methodology, as it is not based on long term bookings, will not, unlike 0365A, influence whether a shipper opts for long or short-term bookings. Under 0365A shippers may be able to influence their charges depending on when they book capacity (and the type of capacity booked); Endesa Ireland considers this to be inappropriate and inconsistent with the cost-reflectivity objective.

## **0356A**

Endesa Ireland considers that the use of capacity booking data will result in overestimation of peak day flow assumptions at some points (perhaps even greater than technical capacity at the point) and unrealistically low flows at others, which will yield charges that are not cost reflective and create cross-subsidies between exit points.

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

### Relevant Objectives:

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

It is felt that option 0365 would better promote relevant objective (a), that charges reflect the costs incurred by the licensee in its transportation business; this is as the charges are based on forecasts rather than on the amount of capacity booked at the time of calculation, the former being a more realistic figure.

We also feel that 0365 would be better than 0365A with respect to objective (c), that the charging methodology facilitates effective competition between gas shippers and suppliers as all points are treated in the same manner and the methodology does not incentivise shippers to use short-term over long-term capacity on the basis of the impact this booking would have on exit capacity charges.

### Implementation:

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

Endesa Ireland hopes that any change will be implemented in a timeframe allowing users sufficient time to plan ahead for transition to new charges.