

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: GasTerra B.V.

Representative: Marjoke Brandenburg-Groot

Date of Representation: 12 February 2015

Do you support or oppose implementation?

0501 - Oppose

0501A - Support

0501B - Neutral

0501C - Oppose

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

GasTerra B.V. (hereafter: "GasTerra") prefers the modification 0501A

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

GasTerra needs sufficient capacity on the new Bacton ASEPs to fulfil the contractual obligations with our contracting parties. With the Modification 0501A it is possible to return capacity at the beginning of the allocation process. That will most likely lead to less congestion at one of the ASEPs in the reallocation process, assuming shippers will make use of this right. Furthermore, it is also possible to give back capacity at the end of the allocation process. GasTerra believes that is crucial for a fair reallocation process. It would not be acceptable for GasTerra, nor beneficial to anyone, when a market party cannot return capacity it received – without having asked for it - that isn't useful for its portfolio.

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?

Some adjustments in this Modification are not necessary for NG to be CAM compliant. Therefore GasTerra does agree this is a User Pays Modification. Although GasTerra is not in favour of Mod 501C, if NG decides to implement Mod 501C, GasTerra agrees with the proposed split for recovering costs.

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 don't see the need of the optionality to flow to both ASEPs. This modification undermines the process of actually getting users to pick one ASEP or the other in the reallocation process. This increases the risk of an unwanted outcome for the users, especially for the users who are not interested in having optionality between the two ASEP's but are focussed on getting capacity at a specific ASEP.

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)?

GasTerra doesn't support the rebate proposal in the 501C modification. In Modification 501A and 501B the users have the option to give there unneeded / wrongly allocated capacity back to NG. When the users need bundled capacity after the allocation process they are entitled to buy the product. These options should be sufficient for the users to prevent they will end up with unneeded capacity, or pay twice for the "same" 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?

In Mod501B users can hand-back less not needed capacity, so the impact on the TO charges will be the least. In Mod501A the changes in TO charges will be higher, because users, beforehand or afterwards, can hand-back not needed capacity. In Mod501C the risk of users not requesting their 'real' requirement is higher, because of the "overrun rule" which forms also part of Mod501C. That will most likely lead to more users receiving capacity at an ASEP where they do not need the capacity, leading to more not needed capacity being handed-back and consequently leading to higher TO charges. The difference with Mod501A, where users can also hand-back all not needed capacity, is that with Mod501A parties are more challenged to request for capacity which they really need (because they can't rely on the "overrun rule").

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

We don't have any new or additional issues that we believe should be recorded in the Modification Report.

Self Governance Statement

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

GasTerra agrees.

Relevant Objectives:

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

Mod501: It is possible that users will get worthless capacity on UKCS or IP without the option to return the capacity to NG.

Mod501A: This option ensures users don't have to keep capacity that is of no interest for them. Also, when they think the value of their capacity is reduced, they have the option to return it to NG.

Mod501B: This option ensures users don't have to keep capacity that is of no interest for them after the allocation process, but limits the amount that can be handed back and so mitigates the impact on the TO charge.

Mod501C: This modification undermines the process of reallocation (see GasTerra's answer to Q2 above). With this option users will partly maintain their optionality at Bacton to use the capacity for both new ASEPs.

Impacts and Costs:

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

Mod501: The outcome of Mod501 could be that there is a possibility that GasTerra can't return not needed capacity at one of the ASEPs. If GasTerra did not get the needed capacity at one of the ASEPs, GasTerra would not be fully capable of delivering its contractual obligation through the ASEP, without buying more NG capacity, which might have to be a bundle if there is not enough NG capacity to sell unbundled.

Mod501A: If GasTerra did not get the needed capacity at one of the ASEPs, GasTerra would not be fully capable of delivering its contractual obligation through the ASEP, without buying more NG capacity, which might have to be a bundle if there is not enough NG capacity to sell unbundled.

Mod501B: If GasTerra did not get the needed capacity at one of the ASEPs, GasTerra would not be fully capable of delivering its contractual obligation through the ASEP, without buying more NG capacity, which might have to be a bundle if there is not enough NG capacity to sell unbundled. Secondly, if Mod 501B would be applicable the impact on the TO commodity charge might be lower than when Mod501A would be applicable. Thirdly, because there is no option to return capacity

at the beginning of the reallocation process, the possibility of receiving not needed capacity at one of the ASEP's is greater and there is less possibility of returning this not needed capacity compared to Mod501A.

Mod501C: With this solution (including not necessary changes to be compliant with CAM) the users have to pay the extra IT systems development.

Implementation:

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

Implementation would be required in October 2015 according CAM, we think this lead-time is sufficient to implement our preferred modification 0501A. There is also enough time for the reasonably alternative 0501B.

Legal Text:

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

No comments.

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 comments.