

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: Gazprom Marketing & Trading Ltd.

Representative: Francisco Gonçalves

Date of Representation: 12 February 2015

Do you support or oppose implementation?

0501 – Oppose

Gazprom Marketing & Trading Ltd. (GM&T) questions whether the mod is in line with all the Relevant Objectives and is therefore against this option. GM&T recognises the requirement to implement the CAM Network Code at Bacton ASEP; however, it does not believe that this option reflects the best possible outcome. In this sense, the original Mod does not ensure that previous flexibility enjoyed by shippers is maintained. GM&T also believes it is an unfair mod, in that it pro-rates shipper capacity in the event of oversubscription at one point. This mod may also lead to the creation of artificial constraints at one of the IPs, which cannot be good for gas trying to enter the NBP.

GM&T prefers a solution that takes into consideration, and protects, shipper rights and expectations. An optimal solution would have minimal negative impact in the market and on the commercial value of existing capacity contracts.

0501A - Qualified Support

GM&T believes this option is a vast improvement on 501, in that it takes into consideration the material impact of applying EU changes on shippers by allowing a shipper to either allocate capacity at one of the various points, or to return it, if it believes that the new solution is not what it had originally signed up to. Importantly, this also indirectly reduces unwanted bookings and helps to prevent any artificial constraints, which may arise as a result of a re-allocation according to 501.

501A, however, lacks the flexibility provided by 501C in relation to ongoing bookings, which also helps alleviate artificial constraints.

0501B – Oppose

GM&T opposes this mod for not providing the flexibility of 501C, nor preserving the commercial value of existing capacity contracts as 501A and 501C do.

0501C – Support

GM&T believes this is the best and fairest option around, because it ticks all the boxes:

- It preserves the value and flexibility of shippers who have invested in long-term capacity,
- It prevents a complete hand-back of capacity, which might be considered extreme, but only because...
- shippers will continue to enjoy the existing flexibility at Bacton, through a proposed aggregate overrun regime linking the two new ASEPs.

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

501C first, 501A second choice

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

501C is clearly the mod that strikes the best balance between interests of all parties. It introduces simple and pragmatic mechanisms that continue to ensure flexibility at Bacton by introducing the element of fungibility. It also allows for a fair return of capacity for shippers who believe that the commercial value of their bookings has been reduced by the splitting of Bacton ASEP.