

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

Consultation close out date: 12 February 2015

Respond to: enquiries@gasgovernance.co.uk

Organisation: RWE Supply and Trading GmbH

Representative: Charles Ruffell

Date of Representation: 12 February 2015

Do you support or oppose implementation?

0501 - Oppose

0501A - Support

0501B - Support

0501C - Comments

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

0501B

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

0501 – this is the de minimis and most straightforward approach to implementing CAM requirements at Interconnection Points. While holding the Transporter whole, it conflicts with a number of the Relevant Objectives and, more importantly, undermines the rights that holders of Registered NTS Entry capacity have a legitimate expectation would be enduring. These include flexibility and fungibility and would have been factored into the valuation of the original capacity. Existing capacity rights will be devalued under 0501.

0501A – we see merits in this option and agree that it addresses a number of commercial and economic concerns arising from the reallocation of existing Registered Entry capacity rights. It would also be relatively simple to implement and

release capacity that could be offered for sale to Users that required it. However, it is arguably inconsistent with the User Commitment Framework.

0501C - this option sets out a number of mechanisms that seek to maintain the fungibility, flexibility and value associated with the capacity holdings. We support the inclusion of the aggregate overrun mechanism, in particular. Overall though, we believe that the rebate mechanism included with this solution makes it overly complex to implement.

0501B - we consider this offers the most balanced and proportionate solution. It is less disruptive to the processes needed to facilitate two new distinct ASEPs at Bacton and more consistent with the principle of User Commitment. By providing a mechanism for Users to return capacity that has been allocated in excess of the Users' requirements at one of the newly created ASEPs, it allows Users to match their capacity booking with their intended gas flows.

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?

It is not clear to us that this is a User Pays Modification.

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?

The reality is that regardless of whether the Bacton baseline is split or not, the physical amount of gas that can be delivered to Bacton on any day remains the same. We support the introduction of an aggregate overrun regime to facilitate flow optionality and still believe that this could represent an enduring solution at Bacton. Under a split baseline, where the total quantity of a shipper's inputs at Bacton from various sources is less than its combined UKCS and IP entry capacity holdings, it is not penalised, even if its flow at one of the two Bacton entry points exceeds its capacity holding at that specific point.

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)?

We support the principle of a rebate mechanism where holders of capacity need to buy additional, bundled capacity at the IP ASEP. Users will pay for capacity whether or not they flow against it and our view is that it is for National Grid to take a view whether gas flows are likely against these capacity rights and to release the capacity at its discretion. The decision making process should be under the same UNC rules that apply to all capacity and we see no strong argument for different, more restrictive arrangements at Bacton.

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?

This is difficult to assess and some analysis setting out potential ranges and materiality of the impact on the TO entry commodity charge would have been helpful. It is likely that capacity that is handed back will be acquired by Users that value it in light of their intended gas flows at each of the new ASEPs.

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

No.

Self Governance Statement

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

Yes, we agree.

Relevant Objectives:

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

b) Coordinated, efficient and economic operation of

(i) the combined pipe-line system, and/ or

(ii) the pipe-line system of one or more other relevant gas transporters. and

0501 - negative, because allocation process has the potential to mis-allocate capacity from where Users require it and create artificial demand for incremental capacity.

0501A - positive, as it allows Users to match their capacity bookings with their intended gas flows.

0501B - positive, as it allows Users to match their capacity bookings with their intended gas flows.

0501C - positive, as it allows Users to match their capacity bookings with their intended gas flows.

d) Securing of effective competition:

(i) between relevant shippers;

(ii) between relevant suppliers; and/or

iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

0501 - negative, due to retrospective alteration of existing capacity rights and potential discriminatory treatment between Bacton capacity holders and other system Users where there is a mis-allocation of capacity between the new Bacton ASEPs. This may impact competition.

0501A - positive, although there is the potential for returned capacity not subsequently reallocated to affect TO Entry commodity charge paid by all Users.

0501B - positive.

0501C - positive.

g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

0501 - positive.

0501A – positive.

0501B – positive.

0501C – positive.

Impacts and Costs:

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

None that can be easily quantified, but they are likely to be indirect (e.g. TO commodity) rather than direct.

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 needs to be consistent with the effective date of the proposed split of the current Bacton entry point and creation of the new Bacton UKCS and Bacton IP entry points.

Legal Text:

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

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 (please specify by each modification).

No.