

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: RWE Npower plc / RWE Supply & Trading GmbH

Representative: Charles Ruffell

Date of Representation: 6th January 2012

Do you support or oppose implementation?

0356 - Not in Support

0356A - Support

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

Prefer 0356A

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

The current NTS Transportation Model has become unworkable due to NTS supplies being less than obligated exit capacity levels. We recognise that updating the charging methodology with either Modification Proposal would ensure a balance between supply and demand and, therefore, produce a workable charging methodology.

0356

This Modification proposes to utilise the forecast 1-in-20 peak demands as input data. Our main objection to this approach is that the assumptions behind the forecasts lack transparency and are subject to National Grid discretion. This may make it more difficult for Users to replicate the calculated charges and forecast future charges as assumptions may change year-to-year. This will reduce the benefits of publishing the NTS Transportation Model.

0356A

The Alternative Modification proposes to utilise capacity bookings as input data. We believe that this data is more transparent and should be reflective of Direct Connect and Distribution Network requirements. The absence of forecast data should reduce variability in the input data and improve stability and predictability of charges. This approach may also make it easier for Users to replicate the calculated charges and forecast future charges. We do not think that there will be a distortion in capacity booking behaviour as a consequence of implementing this Modification Proposal.

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?

We agree that the proposals will better facilitate relevant charging objectives a), b) and c).

SSC A5(a): charges which reflect the costs incurred by the licensee in its transportation business

As the current charging methodology is unworkable and would leave charges undefined, implementing either Modification Proposal would allow the model to calculate charges. We believe that 0356A will better reflect National Grid's costs.

SSC A5(b): properly takes account of developments in the transportation business

The nodal demand data defined by the prevailing charging methodology does not permit a supply-demand match. Implementing either modification proposal would permit a supply-demand match and therefore allow the model to calculate charges.

SSC A5(c): facilitates effective competition between gas shippers and between gas suppliers

Implementing 0356A will result in a transparent charging methodology based on publicly available data ensuring that Users can replicate the charge setting process and forecast future charge levels more accurately. This is consistent with the facilitation of competition between gas shippers.

Impacts and Costs:

What analysis, development and ongoing costs would you face if either of these modifications were implemented?

Nothing additional.

Implementation:

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

We believe that a workable charging methodology needs to be in place ahead of the July application window. This requires a decision by May 2012.

Legal Text:

Are you satisfied that the legal text will deliver the intent of either 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.

To remain useful to the industry, the NTS Transportation Model needs to be based upon a transparent and stable methodology. We have seen evidence of significant volatility in some exit capacity prices and while this may be legitimate the increased predictability of charges under 0356A allows shippers and suppliers to better manage the risk.