

## 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:** SSE

**Representative:** Jeff Chandler

**Date of Representation:** 12 February 2015

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

0501 - Oppose

0501A - Support

0501B - Support

0501C – Neutral.

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

Prefer 0501B, then 0501A, then 0501C and not 0501.

0501 under mines the rights to value, flexibility and fungibility that holders of Registered NTS Entry capacity have a legitimate expectation to.

0501A addresses the above concerns arising from the reallocation of existing Registered Entry capacity rights. It would release capacity that could be offered for sale to Users that required it. However, it is arguably inconsistent with the User Commitment Framework.

0501B provides 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.

0501C maintains fungibility with the inclusion of the aggregate overrun mechanism. However, as it retains fungibility of current capacity holdings but not for any new capacity purchased in the future and involves a rebate mechanism this solution will be complex to implement.

**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?*

No, external EU code requirements have driven these changes.

*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?*

Retaining optionality to flow via an aggregate overrun regime is consistent with current arrangements and desirable. However, costs and complexity as proposed make this less attractive.

*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)?*

In the event that a shipper has to buy bundled Bacton IP capacity, if it was unable to match some of its current unbundled Bacton capacity, then it is reasonable for a rebate to be made to the shipper as they should not have to pay twice for 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?*

It may increase depending on the level of return, but a number of factors such as the EU tariff code and the Ofgem lead GTCR may reduce the impact.

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

None identified.

**Self Governance Statement**

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

Yes.

**Relevant Objectives:**

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

0501 would have a negative impact on relevant objectives b) and d) since the current flexible access to Bacton entry capacity will be reduced.

0501A would have a positive impact on relevant objectives b) and d) since it will provide shippers who have entry capacity at Bacton an opportunity to reduce capacity holdings due to external change outwith their control.

0501B meets the relevant objectives b) and d). It helps to reduce sterilisation of capacity at either of the two new ASEPs but will not reduce the likelihood of an over-subscription because it requires the full reallocation of existing capacity holdings before there is any possibility of capacity return.

0501C furthers the relevant objectives of b) and d). It would help to reduce sterilisation of capacity at either of the two new ASEPs. But it only partially contributes to reducing the likelihood of an over-subscription, because it caps the opportunity for shippers to hand-back capacity in the initial stage of the process. The additional complexity the proposal brings between residual and new capacity for the purposes of fungibility makes this proposal less attractive.

#### **Impacts and Costs:**

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

Not being able to reallocate quantities of capacity as requested would have a material impact on Shippers.

#### **Implementation:**

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

As required to ensure compliance with EU codes.

#### **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 further comments.