

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: **SSE**

Representative: Jeff Chandler

Date of Representation: 28 Dec 2011

Do you support or oppose implementation?

0356 - Support

0356A - Support

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

SSE prefer 0356A, this is because the modification proposes that bookings rather than forecasts are used to model demand in the charging methodology. SSE believe that bookings that are backed by User commitment are more robust and reliable indicators of system requirements than opaque forecasts.

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

Increases in the obligated level of NTS Exit (Flat) Capacity and reductions in the level of NTS available supplies have resulted in an unworkable charging methodology as the aggregate obligated NTS Exit (Flat) Capacity level (at non bi-directional sites) is greater than the available NTS Supplies.

0356

This mod proposes that the charging methodology is based on forecasts of demand. This will allow the methodology to function and is an improvement on the current situation. However, when compared with booked data, forecasts lack transparency and are less robust and are open to interpretation and manipulation.

0356A

This mod proposes that the charging methodology is based on levels of booked demand. This will allow the methodology to function and is an improvement on the current situation. Booked data is based on User commitment and is therefore transparent and facilitates competition.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

No

Relevant Objectives:

How would implementation of either of these modifications impact the relevant objectives?

Facilitates effective competition between gas shippers and between gas suppliers:

Promoting transparency of the charging methodology is consistent with the facilitation of competition between gas shippers. SSE believe that 0356A would provide increased transparency since it would be based on data rather than on National Grid's assumptions, which are not codified. Ensuring that the charging methodology is cost reflective should ensure that shippers face the costs resulting from their connection decisions and hence cross subsidies are avoided. Avoiding cross subsidies is consistent with the facilitation of competition between gas shippers.

Basing charges on booked capacity would be expected to provide more stability than using forecast data since bookings are not susceptible to assumptions. This is consistent with the principle behind the development and implementation of GCM16 which sought to move away from forecast data for certain supply points which could be variable, and so create instability and unpredictable exit charges. Increasing the stability and predictability of charges would reduce risk for Shippers and facilitate the development of effective competition.

SSE do not consider the approach under 356A to be discriminatory as demand at bidirectional points is set to zero. In addition, SSE do not anticipate any skewing of preference for booking long term capacity from 356A such that short term bookings are more likely.

Impacts and Costs:

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

The industry has made numerous requests to be given access to the cost data for each exit point in Excel format to allow modelling. However, this has not been provided and has made subsequent modelling unnecessarily time consuming. It has not been possible to ascertain if increased costs are relative due to the proposed changes or due to general increases in allowed revenue.

Implementation:

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

Implementation as soon as possible, with a decision before to May 2012 so that indicative charges for the July application window can be based on a workable charging methodology.

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.