

## 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:** South Hook Gas Ltd

**Representative:** Nicola Duffin

**Date of Representation:** 12 February 2015

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

0501 - Oppose

0501A – Support

0501B - Oppose

0501C - Support

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

Prefer 0501A

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

The proposal to split the Bacton ASEP to accommodate the requirements of the EU CAM Network Code are only appropriate if those which hold long term capacity rights at the existing Bacton ASEP are able to maintain the fundamental rights and characteristics assigned to that capacity at the time it was purchased. Proposal 501C goes a long way to preserving those rights i.e. no deterioration in the service which was originally contracted for. SHG believes however that it is overly complicated and will result in some lack of clarity as to the availability and utilisation of Bacton capacity in the future – particularly post 2018, when a significant volume of IUK capacity will become available via interconnection bundles. Proposal 0501 is wholly unsuitable as it cannot guarantee that capacity will be made available for the

purposes for which it was acquired, nor does it provide the flexibility to manage/utilise that capacity, again as was originally understood at the time it was contracted for. Proposal 501B goes some way to addressing this issue, but in our view is less compelling than Proposal 501A, or indeed, Proposal 501C.

**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?*

We do not agree that 0501C should be considered as User Pays, as it is doing little more than preserving a right which was established at the time the contract for capacity was entered into.

*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 current Bacton entry capacity product, by its very nature, provides for an optionality to flow. Proposal 501C goes some way to preserving this optionality.

*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)?*

There should be no obligation to offer capacity back to the market ahead of the day as the value of the option to use that capacity will not be fully realised until the Gas Day, to which the capacity is assigned to, has expired.

Again, a rebate should apply irrespective of the actual flow activity. The purchase of capacity is not a commitment to flow, but a right to flow and the shipper which purchased the capacity prior to the split, did so in the knowledge that it could execute the option to flow irrespective of the origin of the supply.

*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 is impossible to forecast the actual impact as this will be dependent upon a number of “unknowns”, most specifically, the volumes which are handed-back and the volumes which are subsequently purchased.

**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

**Relevant Objectives:**

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

All facilitate Relevant Objective (g).

Proposals 501A and 501C have a strong, positive impact on Relevant Objective (d).

Proposal 501 has a negative impact on Relevant Objective (d).

Proposal 501B has little or no impact on Relevant Objective (d).

**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, beyond the potential for increases in TO entry commodity charges (see above)

**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 early as possible prior to 1 November 2015

**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