



Energy for  
generations

ESB  
4th Floor, 85 Tottenham Court Road, London W1T 4TQ  
Phone: +44 (0) 20 7396 1034  
esb.ie

Chris Shanley  
Joint Office of Gas Transporters  
By email to: enquiries@gasgovernance.co.uk

29 March 2018

Dear Chris

**Re.: UNC Modification 0636: Updating the parameters for the NTS Optional Commodity Charge**

At the workgroup meeting on 21 March 2018, a request for the submission of further information for inclusion in the Workgroup Report was issued under action 0303. The discussion in the room at the time elaborated on several relevant points for consideration and analysis. We would like to contribute the below to assist with preparation of the report.

As raised by other contributors, we agree that the charging regime, including OCC, is taken into account in specific contractual terms between buyers and sellers in the market. Transport charges are not purely “pass-through” amounts, but can form an element of the bargain between players and thus affect price terms. The UNC 0636 process, and the potential for instability in charging leading up to 2019/2020 and TAR implementation, is causing uncertainty in the market and anecdotal evidence suggests this is resulting in delays in negotiations and contracting, and inefficiency in the market. Uncertainty can have further effects, in that the market may add a risk premium in seeking to mitigate its exposure to changes (in both nature and timing). This would result in an increase in prices at wholesale level and ultimately to the consumer. As confidential commercial issues, these elements are difficult to quantify.

It is industry custom and practice for gas sales and purchase agreements to be aligned in timing to the Gas Year, starting 1 October. Other downstream commercial arrangements and hedging are made in alignment to this time period also. We would stress as a Shipper, that it is essential that as much notice as possible is provided of any material change to charging, such as UNC 0636, and that not less than five months' notice should be considered a reasonable period. Furthermore, implementation from any date other than 1 October would cause inefficiency and further unnecessary cost.



The impact of this proposed change is wide ranging: whole system economics need to be considered. This includes electricity markets as well as gas, as National Grid's analysis clearly indicates that power station exit points are OCC users. Also the effects on the entire United Kingdom should be reviewed.

In light of this point, we are concerned by Ofgem's comment at the UNC 0621 meeting on 28 March 2018 that it had not yet concluded whether an impact assessment would be conducted for UNC 0636. This appears counter to the statements made and minuted on 21 March to the UNC 0636 workgroup, where it was indicated that an eight week impact assessment process would take place (and the whole system economics would potentially form part of the IA). For such a material change as proposed under UNC 0636, we believe an impact assessment to be essential.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kirsty Ingham'.

Kirsty Ingham  
Commercial & Regulation Manager, UK  
ESB