

Representation - Draft Modification Report

UNC 0678; 0678A; 0678B; 0678C; 0678D; 0678E; 0678F; 0678G; 0678H; 0678I; 0678J;

Amendments to Gas Transmission Charging Regime

0678	Amendments to Gas Transmission Charging Regime
0678A	Amendments to Gas Transmission Charging Regime (Postage Stamp)
0678B	Amendments to Gas Transmission Charging Regime
0678C	Amendments to Gas Transmission Charging Regime (Postage Stamp)
0678D	Amendments to Gas Transmission Charging Regime including a Cost based Optional Capacity Charge
0678E	Amendments to Gas Transmission Charging Regime – Treatment of Storage
0678F	Amendments to Gas Transmission Charging Regime – Treatment of Unprotected Entry Capacity Storage
0678G	Amendments to Gas Transmission Charging Regime including a Cost based Optional Capacity Charge
0678H	Amendments to Gas Transmission Charging Regime (Postage Stamp) including a Cost based Optional Capacity Charge
0678I	Amendments to Gas Transmission Charging Regime including Wheeling and an Ireland Security Discount
0678J	Amendments to Gas Charging Regime (Postage Stamp) including a Cost Based Optional Capacity Charge

Responses invited by: 5pm on 08 May 2019

To: enquiries@gasgovernance.co.uk

Representative:	Richard Fairholme																							
Organisation:	Uniper																							
Date of Representation:	7 May 2019																							
Support or oppose implementation? (Please note you will be asked for your reasoning further below)	<table border="1"> <tr><td>0678</td><td>Oppose</td></tr> <tr><td>0678A</td><td>Oppose</td></tr> <tr><td>0678B</td><td>Qualified Support</td></tr> <tr><td>0678C</td><td>Oppose</td></tr> <tr><td>0678D</td><td>Qualified Support</td></tr> <tr><td>0678E</td><td>Oppose</td></tr> <tr><td>0678F</td><td>Oppose</td></tr> <tr><td>0678G</td><td>Oppose</td></tr> <tr><td>0678H</td><td>Oppose</td></tr> <tr><td>0678I</td><td>Oppose</td></tr> <tr><td>0678J</td><td>Oppose</td></tr> </table>		0678	Oppose	0678A	Oppose	0678B	Qualified Support	0678C	Oppose	0678D	Qualified Support	0678E	Oppose	0678F	Oppose	0678G	Oppose	0678H	Oppose	0678I	Oppose	0678J	Oppose
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Expression of Preference (Please note you will be asked for your reasoning further below)	<p>If <i>NEITHER</i> 0678; 0678A; 0678B; 0678C; 0678D; 0678E; 0678F; 0678G; 0678H; 0678I <i>OR</i> 0678J were to be implemented, which <u>ONE</u> Modification would be your preference?</p> <p>0678B</p>																							

<p>Standard Relevant Objective:</p>	<p>The FMR contains an extensive appraisal of the relevant objectives and we have no further detail to add in this regard.</p> <p>In formulating both the Panel recommendation and Ofgem's final decision, we believe that the focus should be on UNC Standard Relevant Objective (d)¹: and Standard Relevant Objective (g)². This is because the total revenue that NGG recovers through transportation charges is not changing and therefore there are no savings in aggregate for customers to be achieved through any of these proposals. As the effect of any transmission charging change proposal is a redistribution of charges and liabilities between the same market participants, the competition impact of transitioning from the current arrangements to a future regime needs to be analysed carefully.</p> <p>Whilst the commercial impact on individual Shippers can be modelled simplistically based on the indicative charges published, the complete picture is difficult to assess, given the unknown size of capacity-based top-up charges. These are directly related to the (in)accuracy of NGG's Forecast Contracted Capacity. Although the top-up charges are anticipated to be zero at the date of implementation, we foresee a high chance of top-up charges being applied mid-Gas Year, given the unpredictable behavioural response to a new charging regime. This makes assessing the commercial impact very difficult.</p> <p>We note that the FMR contains a limited quantitative assessment on competition, but this is understandable given the commercial confidentiality involved. Therefore, responses provided through the UNC governance process are likely to focus on a qualitative assessment of the proposals, in the absence of an independent cost / benefit analysis. Given the scale of change proposed here, it will be important for Ofgem to undertake a full Regulatory Impact Assessment to support any conclusions on the potential impact on competition in both the gas and electricity markets.</p>
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<p>Charging Methodology Relevant Objective:</p>	<p>As above, the FMR is comprehensive and we have nothing further to add.</p>
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¹ Securing of effective competition:

(i) between relevant shippers;

(ii) between relevant suppliers; and/or

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

² Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

Reason for support/opposition and preference: Please summarise (in one paragraph) the key reason(s)

0678 (National Grid)

Reason to support:

- We support the non-application of top-up charges to existing Entry Capacity bookings, which we consider to be compliant with Article 35 of NC TAR, consistent with ENI's published legal advice on the topic.

Reasons to oppose:

- Lack of an enduring shorthaul solution creates uncertainty and a hiatus in the market, potentially to the detriment of the consumer. Review Group 0670 cannot be relied upon to deliver a shorthaul replacement and may, in fact, result in nothing. As a result, any reference to 0670 should, in our view, be disregarded in assessing the proposed changes presented here.
- Absence of a shorthaul proposal will result in projects being initiated by Shippers to consider bypassing the NTS for Exit points located close Entry points. There are many large offtakes in the UK affected and if bypass occurs, this would result in higher charges for the remaining NTS users, due to the missing flows associated with that bypass. This would be to the detriment of the generality of gas consumers and have impacts on competition between the remaining Users of the NTS.
- Forecast Contracted Capacity (FCC) governance is unclear and subject to NGG's discretion. Changes to FCC will drive substantial re-distribution of charges, impacting Shippers, DNs and ultimately consumers.
- We are concerned that a 50% discount may not be sufficient to offset the impact of the charging proposals on gas storage, which may lead to further closures or mothballing of sites. This would increase the charges payable by the remaining NTS Users whilst potentially decreasing security of supply.

0678A (RWE)

Reason to support:

- We support the non-application of top-up charges to existing Entry Capacity bookings, which we consider to be compliant with Article 35 of NC TAR, consistent with ENI's published legal advice on the topic.

Reasons to oppose:

- Postage Stamp methodology is, in our view, only suitable where the transmission network is not expected to grow. At present, it is not clear that is the case. There are new Entry connections (e.g. biomethane) and Exit (new build power stations) planned. In addition, reinforcement of the network may be required to deal with large linepack swings in the future. Furthermore, we believe that distance is a direct driver of cost on the NTS and therefore should not be ignored, as it effectively is under the Postage Stamp methodology. For example, why should St Fergus and all the associated NTS pipeline infrastructure remote from centres of demand, be priced the same as the Isle of Grain entry point, which is located close to London?

- We are concerned that the complete absence of locational signals risks driving additional operational costs (e.g. through increased compressor usage), if a new connection chooses to locate in an already sensitive part of the NTS, such as the South East of England. If this occurs and it results in NGG incurring greater costs in operating the system, then any perceived “savings” or efficiencies in TO terms, could be offset by an increase in SO-related costs.
- Lack of an enduring shorthaul solution creates uncertainty and a hiatus in the market, potentially to the detriment of the consumer. Review Group 0670 cannot be relied upon to deliver a shorthaul replacement and may, in fact, result in nothing. As a result, any reference to 0670 should, in our view, be disregarded in assessing the proposed changes presented here.
- Absence of a shorthaul proposal will result in projects being initiated by Shippers to consider bypassing the NTS for Exit points located close Entry points. There are number of large offtakes in the UK impacted and if bypass occurs, this would result in higher charges for the remaining NTS users, due to the missing flows associated with bypass. This would be to the detriment of the generality of gas consumers and have impacts on competition between the remaining Users of the NTS.
- We are concerned that a 50% discount may not be sufficient to offset the impact of the charging proposals on gas storage, which may lead to further closures or mothballing of sites. This would increase the charges payable by the remaining NTS Users whilst potentially decreasing security of supply.

0678B (Centrica)

Reasons to support:

- Includes an enduring Optional Commodity Charge (“shorthaul”) solution, which brings much needed certainty to the market. Review Group 0670 cannot and should not be relied upon to deliver a shorthaul replacement.
- Placing the FCC in the UNC provides appropriate governance for such a key aspect of the charging proposals.
- We support the non-application of top-up charges to existing Entry Capacity bookings, which we consider to be compliant with Article 35 of NC TAR, consistent with ENI’s published legal advice on the topic.

Reasons to oppose:

- We are concerned that a 50% discount may not be sufficient to offset the impact of the charging proposals on gas storage, which may lead to further closures or mothballing of sites. This would increase the charges payable by the remaining NTS Users whilst potentially decreasing security of supply.

0678C (SSE)

Reasons to support:

- Placing the FCC in the UNC provides appropriate governance for such a key aspect of the

charging proposals.

- We support the proposal of a 1 October (only) implementation date with 4 months' notice, which is a reasonable request given the extensive nature of the changes proposed. In particular, we note the SSE legal advice published on this topic³.
- A higher than the minimum discount for gas storage may be warranted and deserves closer attention.

Reasons to oppose:

- Postage Stamp methodology is, in our view, only suitable where the transmission network is not expected to grow. At present, it is not clear that is the case. There are new Entry connections (e.g. biomethane) and Exit (new build power stations) planned. In addition, reinforcement of the network may be required to deal with large linepack swings in the future. Furthermore, we believe that distance is a direct driver of cost on the NTS and therefore should not be ignored, as it effectively is under the Postage Stamp methodology. For example, why should St Fergus and all the associated NTS pipeline infrastructure remote from centres of demand, be priced the same as the Isle of Grain entry point, which is located close to London?
- We are concerned that the complete absence of locational signals risks driving additional operational costs (e.g. through increased compressor usage), if a new connection chooses to locate in an already sensitive part of the NTS, such as the South East of England. If this occurs and it results in NGG incurring greater costs in operating the system, then any perceived "savings" or efficiencies in TO terms, could be offset by an increase in SO-related costs.
- Absence of a shorthaul proposal will result in projects being initiated by Shippers to consider bypassing the NTS for Exit points located close Entry points. There are many large offtakes in the UK affected and if bypass occurs, this would result in higher charges for the remaining NTS users, due to the missing flows associated with that bypass. This would be to the detriment of the generality of gas consumers and have impacts on competition between the remaining Users of the NTS.
- Protection of Existing Storage Contracts only is unjustified and inconsistent with application Art 35 of NC TAR. As a result it unduly discriminates against other holders of Entry capacity, who would be materially and unfairly disadvantaged by this aspect of the proposal.
- We do not believe that a capacity-based top-up for non-storage Entry capacity bookings, in the event of allowed revenue under-recovery, is compliant with Article 35 of NC TAR. See ENI legal advice.

0678D (ENI)

Reasons to support:

- Includes an enduring Optional Commodity Charge ("shorthaul") solution, which brings much needed certainty to the market. Review Group 0670 cannot and should not be relied upon to deliver a shorthaul replacement.
- We support the non-application of top-up charges to existing Entry Capacity bookings, which we consider to be compliant with Article 35 of NC TAR, consistent with ENI's published legal advice on the topic.

³<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/book/2019-04/SSE%20Effective%20Date%20Legal%20Advice.pdf>

Reasons to oppose:

- FCC methodology is not in the UNC and therefore lacking appropriate governance and industry control.
- We are concerned that a 50% discount may not be sufficient to offset the impact of the charging proposals on gas storage, which may lead to further closures or mothballing of sites. This would increase the charges payable by the remaining NTS Users whilst potentially decreasing security of supply.

0678E (Gateway)

Reasons to support:

- A higher than the minimum discount for gas storage may be warranted and deserves closer attention.

Reasons to oppose:

- Protection of Existing Storage Contracts only is unjustified and inconsistent with application Art 35 of NC TAR. As a result, it unduly discriminates against other holders of Entry capacity, which would be materially and unfairly disadvantaged by this aspect of the proposal.
- We do not believe that a capacity-based top-up for non-storage Entry capacity bookings, in the event of allowed revenue under-recovery, is compliant with Article 35 of NC TAR. See ENI legal advice.
- FCC methodology is not in the UNC and therefore lacking appropriate governance and industry control.

0678F (Storengy)

Reasons to support:

- A higher than the minimum discount for gas storage may be warranted and deserves closer attention.

Reasons to oppose:

- Our primary concern with the capacity hand-back / surrender procedure proposed, is the setting of precedent and potential to open the “floodgates” for similar claims. In this case, our interpretation of the situation is that some UNC parties purchased Entry capacity specifically based on an assumption that rules would be changed in a certain way. In the event that the rules did not change (the rejection of all 0621 Mods by Ofgem), it is not appropriate to then amend the UNC purely to protect the commercial interests of the affected parties. In our view, the only fair approach would be to extend a surrender / hand-back to all Entry Capacity holders over all periods of time, rather than creating a specific carve out for certain Users.
- We do not believe that a capacity-based top-up for non-storage Entry capacity bookings, in the event of allowed revenue under-recovery, is compliant with Article 35 of NC TAR. See ENI legal advice.
- Protection of Existing Storage Contracts only is unjustified and inconsistent with application Art 35 of NC TAR. As a result it unduly discriminates against other holders of Entry capacity, who would be materially and unfairly disadvantaged by this aspect of the proposal.

- Absence of a shorthaul proposal will result in projects being initiated by Shippers to consider bypassing the NTS for Exit points located close Entry points. There are many large offtakes in the UK affected and if bypass occurs, this would result in higher charges for the remaining NTS users, due to the missing flows associated with that bypass. This would be to the detriment of the generality of gas consumers and have impacts on competition between the remaining Users of the NTS.
- FCC methodology is not in the UNC and therefore lacking appropriate governance and industry control.

0678G (Vitol)

Reasons to support:

- Includes an enduring Optional Commodity Charge (“shorthaul”) solution, which brings much needed certainty to the market. Review Group 0670 cannot and should not be relied upon to deliver a shorthaul replacement.
- Support use of CWD methodology and inclusion of shorthaul addresses a particular issue with CWD that some Exit points close to Entry points face very high capacity costs, which do not reflect the proximity of the two points and therefore the limited costs imposed on the network.

Reasons to oppose:

- Protection of Existing Storage Contracts only is unjustified and inconsistent with application Art 35 of NC TAR. As a result it unduly discriminates against other holders of Entry capacity, who would be materially and unfairly disadvantaged by this aspect of the proposal.
- Not clear that a capacity-based top-up, in the event of allowed revenue under-recovery, is compliant with Article 35 of NC TAR. See ENI legal advice.
- FCC methodology is not in the UNC and therefore lacking appropriate governance and industry control.

0678H

Reasons to support:

- Includes an enduring Optional Commodity Charge (“shorthaul”) solution, which brings much needed certainty to the market. Review Group 0670 cannot and should not be relied upon to deliver a shorthaul replacement.

Reasons to oppose:

- Postage Stamp methodology is, in our view, only suitable where the transmission network is not expected to grow. At present, it is not clear that is the case. There are new Entry connections (e.g. biomethane) and Exit (new build power stations) planned. In addition, reinforcement of the network may be required to deal with large linepack swings in the future. Furthermore, we believe that distance is a direct driver of cost on the NTS and therefore should not be ignored, as it effectively is under the Postage Stamp methodology. For example, why should St Fergus and all the associated NTS pipeline infrastructure remote from centres of demand, be priced the same as the Isle of Grain entry point, which is located close to London?
- We are concerned that the complete absence of locational signals risks driving additional operational costs (e.g. through increased compressor usage), if a new connection chooses to

locate in an already sensitive part of the NTS, such as the South East of England. If this occurs and it results in NGG incurring greater costs in operating the system, then any perceived “savings” or efficiencies in TO terms, could be offset by an increase in SO-related costs.

- Not clear that a capacity-based top-up, in the event of allowed revenue under-recovery, is compliant with article 35 of NC TAR. See ENI legal advice.
- Protection of Existing Storage Contracts only is unjustified and inconsistent with application Art 35 of NC TAR. As a result it unduly discriminates against other holders of Entry capacity, who would be materially and unfairly disadvantaged by this aspect of the proposal.
- FCC methodology is not in the UNC and therefore lacking appropriate governance and industry control.

0678I (Gazprom)

Reasons to support:

- We support the proposal of a 1 October (only) implementation date with 4 months’ notice, which is a reasonable request given the extensive nature of the changes proposed. In particular, we note the SSE legal advice published on this topic⁴.
- We support the non-application of top-up charges to Existing Entry Capacity bookings, which we consider to be compliant with Article 35 of NC TAR, consistent with ENI’s published legal advice on the topic.

Reasons to oppose:

- The case for an Ireland Security discount is, in our view, unfounded and would represent an undue cross-subsidy between capacity holders at the Moffatt Interconnector and other users.
- The “wheeling charge” concept is under-developed and creates specific arrangements at Bacton only, which is inconsistent with the underpinning principle of NC TAR that there should not be different charging methodologies for the same type of points on the network.
- Absence of a shorthaul proposal will result in projects being initiated by Shippers to consider bypassing the NTS for Exit points located close Entry points. There are many large offtakes in the UK affected and if bypass occurs, this would result in higher charges for the remaining NTS users, due to the missing flows associated with that bypass. This would be to the detriment of the generality of gas consumers and have impacts on competition between the remaining Users of the NTS.

0678J

Reasons to support:

- Includes an enduring Optional Commodity Charge (“shorthaul”) solution, which brings much needed certainty to the market. Review Group 0670 cannot and should not be relied upon to deliver a shorthaul replacement.
- Placing the FCC in the UNC provides appropriate governance for such a key aspect of the charging proposals.

⁴<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/book/2019-04/SSE%20Effective%20Date%20Legal%20Advice.pdf>

- We support the non-application of top-up charges to Existing Entry Capacity bookings, which we consider to be compliant with Article 35 of NC TAR, consistent with ENI's published legal advice on the topic.

Reasons to oppose:

- Postage Stamp methodology is, in our view, only suitable where the transmission network is not expected to grow. At present, it is not clear that is the case. There are new Entry connections (e.g. biomethane) and Exit (new build power stations) planned. In addition, reinforcement of the network may be required to deal with large linepack swings in the future. Furthermore, we believe that distance is a direct driver of cost on the NTS and therefore should not be ignored, as it effectively is under the Postage Stamp methodology. For example, why should St Fergus and all the associated NTS pipeline infrastructure remote from centres of demand, be priced the same as the Isle of Grain entry point, which is located close to London?
- We are concerned that the complete absence of locational signals risks driving additional operational costs (e.g. through increased compressor usage), if a new connection chooses to locate in an already sensitive part of the NTS, such as the South East of England. If this occurs and it results in NGG incurring greater costs in operating the system, then any perceived "savings" or efficiencies in TO terms, could be offset by an increase in SO-related costs.

Implementation: *What lead-time do you wish to see prior to implementation and why? Please specify which Modification if you are highlighting any issues.*

Given the scale of changes, we firmly believe that a 1 October change is the only acceptable implementation date. Given that 1 October 2019 seems unachievable in practice (as it would imply Ofgem makes a decision almost instantly, without undertaking an Impact Assessment), the implementation date should then be 1 October 2020. As this would set a clear path to implementation of NC TAR in the GB arrangements, we do not foresee this presenting a compliance issue.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

All proposals:

All 0678 proposals represent a material increase in costs for the Uniper portfolio, compared to the current charging arrangements. For commercial confidentiality reasons, the exact costs cannot be shared through the UNC governance process. Furthermore, whilst the top-up charge for Entry and Exit capacity is expected to be zero on implementation date, we do not see it as a credible outcome that this is maintained throughout the Gas Year, due to the expected forecast error by NGG in setting future charges.

It should be noted that implementation costs would likely increase substantially in the event of a short-notice implementation (e.g. Oct 2019), as existing commercial contracts and trading positions would need to be re-opened and unwound (if even possible).

Legal Text: *Are you satisfied that the Legal Text will deliver the intent of the Solutions for each Modification? Please specify which Modification if you are highlighting any issues.*

We have no comments on the legal text, but note that due to the expedited governance process, limited Workgroup time was spent reviewing the legal text for all 11 proposals and therefore it is conceivable that there are drafting errors.

Are there any errors or omissions in this Modification Report that you think should be further considered? *Include details of any impacts/costs to your organisation that are directly related to this.*

All proposals:

No.

Please provide below any additional analysis or information to support your representation

All Proposals:

The workgroup report is comprehensive in terms of qualitative assessment but is lacking in terms of quantitative analysis. However, we would not expect a UNC workgroup to be able to facilitate such analysis and Ofgem is best placed to undertake a full Regulatory Impact Assessment, considering all the relevant costs and benefits of each proposal.

Consultation Questions Requested by the Authority

The Authority has requested that the following questions be considered by Respondents when writing their responses.

Question Number	Question
1.	<p>What impact, if any, do you think tariff differentials between existing and new contracts will have on users booking behaviour?</p> <p>A difference between prices that applied in past long-term capacity auctions and prices that apply in auctions within-year has been feature of the gas market for the past 15+ years and therefore is not a new issue for the market to deal with. Furthermore, the difference in prices for new and existing capacity at the same point on the NTS is a factor that was accepted by Ofgem when the “Falcon” charging model that pre-dates the current “Transportation” model was replaced. Despite the methodology change, the payable prices for capacity booked under the Falcon model were preserved in the new charging regime until those bookings expired. As a result, it would be counter to past precedent if there was to be a change to the capacity prices payable for Entry capacity booked in past auctions.</p> <p>One of the fundamental aims of the new charging arrangements is to incentivise Shippers to only buy capacity that they need and intend to utilise. Historically, Shippers buying incremental Entry Capacity have been obliged to buy minimum volumes of Entry Capacity to pass NGG’s NPV test, rather than reflecting a Shipper’s precise capacity requirements. Moreover, a Shipper can only make an informed guess about the volume of capacity required when booking, for instance, 15 years ahead of gas delivery. In our view, the approach taken by many 0678 proposals, to not apply a capacity-based top-up charge to “Existing Contracts”, is the correct approach to avoid undermining past commercial decisions. This is because holders of Long-term Entry Capacity have no opportunity to fine-tune their booking after the initial reservation, as there is no possibility to hand-back capacity to NGG.</p> <p>A further feature of all the 0678 proposals is that the protection from top-up charges is lost if the capacity is traded. As a result, this makes secondary trading of existing bookings difficult or commercially impractical, further compounding the difficulty of fine-tuning existing bookings.</p> <p>For holders of “new” capacity, we believe that the uncertainty around future levels of top-up charges will be the main driver of booking behaviour. This will incentivise Shippers to wait until near the gas flow day to make capacity purchases to avoid the risk of a large top-up charge being smeared across the entire capacity booking. This will actively discourage most Shippers from making new long-term capacity commitments; the impact of which Ofgem may want to consider further.</p>
2.	<p>What date should the changes proposed by the modifications become effective and why?</p> <p>Given the scale of changes, we firmly believe that a 1 October change is the only acceptable implementation date. As 1 October 2019 is unachievable in practice (as it assumes Ofgem decides on these proposals almost instantly, without undertaking an Impact Assessment), the implementation date should then be no earlier than 1 October</p>

	<p>2020. As this would set a clear path to implementation of NC TAR in the UK arrangements, we do not view this as a compliance issue for the GB market.</p> <p>Implementing such a significant change mid-Gas Year would create complexities with setting accurate charges by NGG, introducing significant uncertainty for Users of the network. It would also cut across commercial contracts and trading positions, resulting in contracts being re-opened (if this is even possible) and unavoidable costs being incurred by Shippers. As a starting point, we urge Ofgem to review the evidence received through the Shipper information request for UNC Modification Proposal 0636, which dealt with the potential for a mid-year charging methodology change and the resultant impact this could have on Shippers and consumers.</p>
3.	<p>The proposals have different specific capacity discounts for storage sites. What level of storage discount do you consider is appropriate and can you provide clear justification if the discount is greater than 50%</p> <p>As noted above, we are concerned that even with a 50% discount and protection from capacity-based top-up charges, there are likely to be negative impacts on competition and potentially security of supply if the new charges result in mothballing, delayed investment decisions or closures. Analysis provided through the 0678 process demonstrates the re-distributional effect of the greater (80%) discount for gas storage on the whole market is relatively small, but the impact on gas storage sites is significant.</p> <p>The complicating factor of this topic is that all UNC proposals supporting a higher, 80% discount for gas storage also advocate top-up charges for existing (non-storage) Entry Capacity bookings. We do not believe this approach is compliant with Art 35, which does not distinguish between storage and non-storage bookings. Therefore, whilst we may see some merits in a higher discount for storage, none of the proposals advocating this provide a compliant, proportionate solution suitable for all network Users.</p> <p>We also note that CCGTs face a similar challenge in the market to gas storage but worryingly, no particular views are sought on the impact of these proposals. Like gas storage, the majority will currently be on Off-Peak (zero priced) Exit Capacity and given their typical locations close to Entry points, may also be availing of the shorthaul charge. We believe that any conclusions in terms of the potential negative impact on competition of these proposals could also be read across to Generators. Furthermore, we do not recognise the conclusion of the consultants that undertook the Ofgem's Impact Assessment for the UNC 0621 proposals that "<i>over 75% of transmission-connected power stations would face a decrease in tariffs compared to the status quo</i>".⁵ In our view this conclusion is wrong as it appears to ignore the extensive utilisation by CCGTs of NTS Off-Peak Exit Capacity and Shorthaul. As a result, we would intuitively expect most CCGTs to face an increase, not a decrease in payable charges.</p>
4.	<p>Can you provide reasons why an NTS Optional Charge is or is not justified? If you consider an NTS Optional Charge is justified, which proposal do you prefer and why is it compliant with TAR NC?</p> <p>Under both the CWD and Postage Stamp methodologies (applicable under all Modifications), the capacity prices produced for Entry points close to Exit points do not reflect the small distances in the prices produced. As a result, the incentive to bypass the NTS will be significant for some Entry/Exit points; if any proposal which does not include a</p>

⁵ https://www.ofgem.gov.uk/system/files/docs/2018/12/181220_decision_letter_unc621_reject_final.pdf

	<p>shorthaul product is implemented.</p> <p>As a User of the network with commercial interests at several such points, we are considering the possibility of bypassing the NTS if transportation charges outweigh the cost of building a dedicated pipeline. NTS bypass is a realistic prospect and as the owner/operator of an existing 52km high-pressure pipeline that was built to bypass the NTS in the 1990s, we have the relevant expertise in pipeline operation and maintenance. We expect other Shippers to be in a similar situation. Therefore, Ofgem should consider NTS bypass to be a credible potential outcome if there is no shorthaul product brought forward, with the resulting market and network inefficiencies this could bring.</p>
5.	<p>Do you consider the proposals to be compliant with relevant legally binding decisions of the European Commission and/or the Agency for the Co-Operation of Energy Regulators?</p> <p>We note that all of the proposers have produced detailed compliance assessments in support of their specific proposals and that these have been discussed in the workgroup, with counter views documented. As a Shipper that is not a UNC Mod Proposer, we are not in a position to take legal advice on 11 different UNC proposals. Ofgem will need to undertake this role, taking into account the legal advice that has already been published by several Shippers.</p>
6.	<p>It is proposed that National Grid Gas may review or update the Forecasted Contracted Capacity (FCC) Methodology following consultation with stakeholders, unless Ofgem (upon application by any Shipper or Distribution Network Operator) directs that the change is not made as per its powers under Standard Special Condition A11(18) of National Grid's Licence. Do you believe that this governance framework is fit for purpose? Please provide reasons for your answer.</p> <p>We note that this is National Grid's approach which has been copied by some but not all Proposers. We do not believe it is fit for purpose, as it places all power in the hands of NGG to amend any aspect of the FCC. A more formal approach, which obliged NGG to formally consult with Users and then to publish responses received when submitting their request for an Ofgem decision would be a better proposal. Moreover, this would be consistent with the approach taken to other key NGG Methodology Statements, which are currently underpinned by Licence Conditions.</p>