

Representation

Draft Modification Report

Modification 0725 (Urgent) Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ) During COVID-19

1. **Consultation close out date:** 13th May 2020
2. **Respond to:** enquiries@gasgovernance.co.uk
3. **Organisation:** Gazprom Energy
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4. **Representative:** Steve Mulinganie
Regulation Manager
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0799 097 2568 / 0751 799 8178
5. **Date of Representation:** 12th May 2020
6. **Do you support or oppose Implementation:**
We **Support** implementation of the Modification
7. **Please summarise (in 1 paragraph) the key reason(s) for your position:**
This modification is one of a number of modifications developed jointly with stakeholders to address, as part of a suite of changes, the ongoing catastrophic effect of the pandemic on many UK businesses. We believe this modification provides a measured and proportionate response to the unprecedented circumstances we face as an industry. As a direct result of the pandemic and legal and other measures introduced by the UK Government many large Industrial and Commercial businesses have either ceased using gas altogether or else have reduced their consumption considerably. This step change in operations could not have been reasonably foreseen and therefore accommodated within existing industry processes so requiring this modification to be put forward to address this undue detriment.
8. **Are there any new or additional Issues for the Modification Report:**
No

9. Self-Governance Statement Do you agree with the status?

NA

10. Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

As the proposer we believe the proposal is positive in respect of Relevant Objective **(a) & (d)**

11. Impacts & Costs:

What analysis, development and on-going costs would you face if this modification was implemented?

We **have not** identified any significant costs associated with this modification

12. Implementation:

What lead times would you wish to see prior to this modification being implemented, and why?

To allow the CDSP the maximum time to accommodate any requests from shippers to reduce the SOQ of these sites a decision is required as soon as possible

13. Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

We have **no** comments on the Legal Text provided.

14. Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that you believe should be taken into account or you wish to emphasise.

We note that UNC modification 0275 (Urgent) - Reduction in DM LDZ Exit Capacity for Supply Points with Significant Changes in Usage was raised during the last economic crisis (the credit crunch) <https://www.gasgovernance.co.uk/0275> to provide relief to Daily Metered customers from excessive capacity costs.

We note this previous modification, raised by National Grid Distribution (now Cadent), was not opposed by any transporters. The proposer supported the changes in that it would:

“Enable Users to reduce their capacity bookings at DM Supply Meter Points in line with their LDZ exit capacity requirements.... This should improve the cost reflectivity of the regime within this period. This can be expected to facilitate DNO Licence Standard Special Condition A11.1 (d). “

In addition Ofgem in its decision letter for UNC Modification 0275 noted that:

“With the current capacity booking arrangements, if customers seek to control their capacity charges the only route open to them is to vacate the site or disconnect from the gas network, leaving parts of the pipeline unutilised for a period of time.

If this course of action was taken by a significant proportion of DM customers, it would not be in the interests of the efficient and economic operation of the network as it may lead to considerable underutilisation of the network in the longer term.”

We agree with this statement and would note further that under the current circumstances the ability to undertake physical disconnection is not practicable or possible. We believe that the same conditions exist now, as then and as noted the mitigation available is even less due to the inability to undertake physical works.

Now, as then, there is a need to reduce the excessive capacity costs of daily metered customers to ensure they are not driven out of the market. This changes builds on this precedent and by doing so improve both cost targeting (relevant objective (d) and ensuring continued economic and efficient level use of the existing gas networks relevant objective (a)).