

Joint Office
enquiries@gasgovernance.co.uk

13 May 2020

Dear Sir or Madam,

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

Thank you for the opportunity to provide representation on the above noted Modification Proposal. Please find below Northern Gas Network's (NGN) comments in respect of this change.

NGN opposes this Modification Proposal.

Reason for support/opposition:

Please summarise (in one paragraph) the key reason(s)

We feel that this modification is negative against Relevant Objective d) *Securing of effective competition* as automatically reinstating a site's Supply Point Capacity (SOQ) on 1st October 2020 after a period of temporary reduction assumes that the same capacity will still be available within the Network as it was on 30th April 2020. It does not take into consideration other sites in constrained areas requesting an increase in capacity or new sites entering the market. This could lead to uncontrollable Network constraints and instability. It also seems to introduce into the UNC the concept of reservation capacity without financial charge.

We also feel that this modification is negative against Relevant Objective c) *Efficient discharge of the licensee's obligations* as the temporary reduction in SOQ will have an impact on Transportation Charges, which are governed by our licence, including requirements to collect revenue as closely as possible to allowed revenue each year. To avoid breach of these licence conditions the Transportation Charges may need to be amended, which could trigger a price change within year, having an impact on all Shippers and reducing the stability and predictability of prices.

Implementation:

What lead-time do you wish to see prior to implementation and why?

Should this proposal be approved, it could be implemented as soon as Ofgem Direction is received.

Impacts and Costs:

What analysis, development and ongoing costs would you face?

There is a risk that the same amount of capacity may not be available in the Network on 1st Oct 2020 as it was on 30th April 2020 for sites whose SOQ will be automatically re-instated,

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leading to more capacity being required than is available, particularly in constrained areas of the Network, leading to system instability.

This modification seeks to relieve eligible sites from Transportation Charges, the impact of which cannot be fully assessed until the modification is in place and shippers advise of the sites intending to take advantage of this modification.

Legal Text:

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

We believe the legal text provided should deliver the Solution as set out in the modification.

Are there any errors or omissions in this Modification Report that you think should be taken into account?

Include details of any impacts/costs to your organisation that are directly related to this.

The modification, as drafted, seems to permit sites to continually decrease their SOQ during the period, even if usage within the reduction period causes it to ratchet up, we do not feel that this is the intent of the proposer.

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

Should this modification be approved as drafted, we would need to run our network modeling from information that is not current to allow for the capacity to be returned to 30th April 2020 resulting in a change in our processes and potentially introducing risk.

This modification proposal references UNC modification 0275 and reads that it is following precedent set by this prior modification. This however is misleading as modification 0275 removed the Bottom Stop SOQ which is no longer a concept within the current UNC. Modification 0275 also did not guarantee to reserve capacity, which is something that this is looking to introduce into the UNC.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

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