

Representation – Modification

UNC 0728/A/B/C/D (Urgent)

Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS

0728	Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS
0728A	Introduction of Conditional Discounts for Avoiding Inefficient Bypass of the NTS
0728B	Introduction of Conditional Discount for Avoiding Inefficient Bypass of the NTS with 28km distance cap
0728C	Introduction of a Capacity Discount to Avoid Inefficient Bypass of the NTS
0728D	Introduction of Conditional Discounts for Avoiding Inefficient Bypass of the NTS

Responses invited by: 5pm on 26 June 2020

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Grant Holland
Organisation:	BOC
Date of Representation:	26 th June 2020
Support or oppose implementation?	<p>0728 - Oppose</p> <p>0728A - Qualified Support</p> <p>0728B – Oppose</p> <p>0728C - Oppose</p> <p>0728D - Support</p>
Expression of preference:	<p><i>If either 0728, 0728A, 0728B, 0728C or 0728D were to be implemented, which would be your preference?</i></p> <p>0728D then 0728A</p>
Relevant Objective:	<p>0728A:</p> <p>c) Positive</p> <p>d) None</p>

	0728D: c) Positive d) Positive
--	--

Relevant Charging Methodology Objectives:	0728A: a) None aa) None b) None c) None e) Positive 0728D: a) Positive aa) Positive b) Positive c) Positive e) Positive
--	--

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

0728:

The exclusion of any discount to Non-Transmission Services Commodity Charges will almost certainly lead to BOC bypassing the NTS and therefore be disadvantageous to other UK customers in general (via overall increases in Transmission and Non-Transmission Charges). The proposal also fails to reflect the reality of “project clustering” which BOC would be part of in Teesside, instead employing a strict point to point relative cost assessment resulting in NTS Charges which are significantly higher than the costs of bypass. Again, this will result in sub-optimal outcomes for UK customers.

0728A

The proposal also fails to reflect the reality of “project clustering” which BOC would be part of in Teesside, instead employing a strict point to point relative cost assessment resulting in NTS Charges which are significantly higher than the costs of bypass. Again, this will result in sub-optimal outcomes for UK customers. It does, however, include a discount for Non-Transmission Services so does more accurately reflect the costs of bypass that 0728/B/C.

0728B

The proposal sets an unrealistic distance cap, overestimating the probability of bypass for those offtakes located further from the relevant entry points. The exclusion of any discount to Non-Transmission Services Commodity Charges will almost certainly lead to BOC bypassing the NTS and therefore be disadvantageous to other UK customers in general (via overall increases in Transmission and Non-Transmission Charges). The proposal also fails to reflect the reality of “project clustering” which BOC would be part of in Teesside, instead employing a strict point to point relative cost assessment resulting in

NTS Charges which are significantly higher than the costs of bypass. Again, this will result in sub-optimal outcomes for UK customers.

0728C

The exclusion of any discount to Non-Transmission Services Commodity Charges will almost certainly lead to BOC bypassing the NTS and therefore be disadvantageous to other UK customers in general (via overall increases in Transmission and Non-Transmission Charges). The proposal also fails to reflect the reality of “project clustering” which BOC would be part of in Teesside, instead employing a strict point to point relative cost assessment resulting in NTS Charges which are significantly higher than the costs of bypass. Again, this will result in sub-optimal outcomes for UK customers.

0728D

The proposal takes a more realistic stance on the probability and cost of bypass. The likelihood of bypass is far greater over relatively short distances, as geological and commercial obstacles will be minimised. BOC have assessed the costs of bypass, both individually but also part of a wider Teesside consortium to minimise costs even further. A methodology which assumes that all bypasses will be point to point will by its very nature overestimate actual costs where customers cooperate to develop common pipeline solutions. It is essential that any “discount” to standard NTS charges is based on the total cost of shipping and as a result must incorporate Transmission and Non-Transmission Charges. It is folly to assume that BOC will only consider Transmission Charges when assessing the potential to bypass and as such any methodology which excludes Non-Transmission discounts will result in sub-optimal outcomes for all GB customers.

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

We are aware that Xoserve systems have been developed to support implementation of any of the proposals. Any delay to the introduction of an Optional Charge will create a huge additional cost burden for BOC impacting the competitiveness of ourselves and our customers. Delay would also create the impetus to by-pass the NTS immediately as the project payback is less than a year so would pay for itself immediately and provide regulatory and cost certainty in the future.

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

Negligible

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

No comment

Respondents are requested to provide views on the following points:

Q1: Respondents are requested to provide a view as to whether the solution provided within the Modification(s) is fully compliant with the relevant legislation (including, but not limited to, Articles 28-32 of the Tariff Network Code).

BOC cannot specifically comment on this point but believe that all solutions are compliant with the EU Tariff Code.

Q2: Respondents are requested to provide views on the proposed implementation date(s).

Please refer to earlier answer

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

No

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

BOC strongly support the concept of a 728 type modification which seeks to prevent end users from by-passing the NTS. However, only 728D, with implementation in October 2020, would guarantee that BOC would not by-pass the NTS by building their own supply pipeline for the 800m distance involved. Of the other variants presented then the 'least worst' option is 728A but this still results in a significant additional operating cost for BOC and would create a more difficult decision as we would utilise the cluster support in the Teesside which is less in our full control. None of the other 728 variants are likely to meeting the modification intent to keep users like BOC on grid.

In discussions with Ofgem and BEIS it is the agreed intent to prevent by-pass and in which case then 728D is the only modification, with implementation in October 2020, would achieve that stated intent. I hope common sense prevails.