

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:	Andrew Pearce
Organisation:	BP Gas Marketing
Date of Representation:	26/06/2020
Support or oppose implementation?	<p>Support/Oppose/Qualified Support/Comments * <i>delete as appropriate</i></p> <p>0728 - Support</p> <p>0728A - Support</p> <p>0728B - Support</p> <p>0728C – Support</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>0728B</p>
Relevant Objective:	<p>0728:</p> <p>c) Positive</p> <p>d) Positive</p>

	<p>0728A: c) Positive d) Positive</p> <p>0728B: c) Positive d) Positive</p> <p>0728C: c) Positive d) Positive</p> <p>0728D: c) Positive d) Positive</p>
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<p>Relevant Charging Methodology Objectives:</p>	<p>0728: a) Positive aa) Positive b) Positive c) Positive e) Positive</p> <p>0728A: a) Positive aa) Positive b) Positive c) Positive e) Positive</p> <p>0728B: a) Positive aa) Positive b) Positive c) Positive e) Positive</p> <p>0728C: a) Positive aa) Positive b) Positive c) Positive e) Positive</p> <p>0728D: a) Positive aa) Positive b) Positive c) Positive e) Positive</p>
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Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

0728:

For large offtakes situated close to an entry point to the NTS the use of the total system is minimal. To avoid the offtake from bypassing the system and constructing their own pipeline the availability of a discount to the transportation charges is an optimal solution. This proposal gives a sliding scale discount from 90 down to 10% of the Transmission charge for the Eligible Quantity based on the actual flow of gas. The distance cap has been set at 18km. We are supportive of this modification as it provides an incentive for large Users of the NTS situated within the 18km distance from an entry point to remain connected to the NTS and to continue to contribute towards National Grid's allowed revenue.

0728A

See comments to 0728.

This modification is similar to 0728, with an additional discount on the General Non-Transmission Services charge. We are supportive of this modification proposal for the reasons given in 0728.

0728B

This modification would allow an extra five routes to be eligible for the Conditional Discount with a relatively small increase in socialisation costs as compared to modification 0728. Allowing these five extra routes to benefit from a discount to the Transmission Charge based on actual flows of gas would lower the risk of sites bypassing the NTS and National Grid losing the associated revenue, which if lost, would increase transportation charges for users of the NTS. National Grid's analysis of costs using the actual October 2020 charges shows that increasing the distance from 18km to 28km would lead to an increase of 0.6%¹ of Maximum Allowed Revenue that was socialised across all Users. In our opinion this proposal gives the most incentive to remain connected to the NTS as the distance cap is 28km.

0728C

See comments for 0728

This modification proposal is similar to 0728 in that the discount is applicable to the Transmission Services charge. However, the discount is on all booked Firm Capacity excluding any existing contracts.

0728D

¹ Slide 22 National Grid presentation UNC 0728/A/B/C/D: Managing Inefficient bypass in Charging – 24 June 2020. <https://www.nationalgrid.com/uk/gas-transmission/document/131766/download>

See comments to 0728.

This modification proposal is similar to 0728A in that there is a discount on the General Non Transmission Charge. We support this modification

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

To avoid inefficient bypass of the NTS, 0728 or one of the alternative modification proposals should be implemented for 1 October 2020, or as close to that date as possible.

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

We see no impact or cost for ourselves.

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

We have no comment on the legal text.

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).

It is our view that the requirements as set out in Article 28 – 32 of the Tariff Network Code have been met. There are still some tariffs to be published but National Grid have already confirmed these will be published by the beginning of September.

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

We agree with the proposers of the modification that a 1st October 2020 implementation date should be met. If not, then implementation should be on the 1st of the month as close to October 2020 as possible.

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.*

Not that we are aware of.

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

We see a real risk of large NTS offtakes bypassing the system if none of these modification proposals is implemented. There are clusters of large industrial users situated close to some of the entry terminals where it would be beneficial for them to cooperate to build their own pipeline thus having efficiency in costs. National Grid's allowed revenue does not change as users come on and off the system so that lost

revenue would have to be made up by the remaining users of the NTS, which would lead to increased costs greater than if one of the proposals were to be implemented.