

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:	Kirsty Dudley
Organisation:	E.ON
Date of Representation:	25/06/2020
Support or oppose implementation?	0728 - Oppose 0728A - Oppose 0728B - Oppose 0728C - Oppose 0728D - Oppose
Expression of preference:	None
Relevant Objective:	None
Relevant Charging Methodology Objectives:	None

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

We do not support the original or any of the alternatives; this is because all modification versions propose a sliding scale discount incentive which is based on restricted distances of either 18 km or 28 km to an entry point.

We believe that allowing discounts that are only available to users within a pre-defined radius would have a distortive impact on the Transmission Charging regime. It would indicate to the market that a benefit to a small proportion of network users is available, despite it being unlikely to bypass the NTS over the stipulated distances. This would create a distortion due to all other network users funding the discount.

As Noted in the impacts and considerations, a network user's primary driver is to remain connected to the NTS or bypass; the network will be based on which option is most cost effective for their business. Businesses that are considering a bypass of the NTS already face strong disincentives to build pipelines over long distances, for example distances of 3 km are likely to face significantly higher build costs between the entry and exit points than businesses located much closer to an entry point. On this basis distance is intrinsically linked cost effectiveness.

We agree there is clear evidence that some businesses will seek to bypass without an appropriate incentive to continue using the NTS, in turn increasing costs across all network users. Therefore E.ON believes that there is justification to consider a new conditional discount to the charging framework, however we would suggest the principles are based around such as the likelihood of a business opting to build a bypass and the product offers value for money for all network users in order to ensure an efficient targeted approach to the issue.

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

For the reasons outlined above no earlier than October 2020, we also anticipate that CDSP changes are required, which would need to be aligned to the implementation date of the associated XRN.

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

Due to the urgent timelines our assessment of costs and impacts is not as detailed as we'd have liked. We recognise there would be costs and sized as a medium impact.

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

No comments.

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).

No comments.

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

Please see implementation comments.

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 comments.

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

No comments.