

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 Ingham / Kamila Nugumanova
Organisation:	ESB
Date of Representation:	26 June 2020
Support or oppose implementation?	<p>0728 - Comments</p> <p>0728A - Comments</p> <p>0728B - Comments</p> <p>0728C - Qualified Support</p> <p>0728D - Comments</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>0728C</p>
Relevant Objective:	<p>0728:</p> <p>c) Positive</p> <p>d) Negative</p>

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

0728:

The selection of a distance cut-off of 18 km appears arbitrary and unprincipled, and therefore discriminatory. This is especially apparent as 28 km was originally presented to WG as the “scientifically” justified cut-off distance for realistic by-pass pipelines to be built. The distance cut-off appears to be driven by a perceived acceptable level of socialisation or redistribution of costs between user types on the system, which cannot represent the risk of realistic inefficient bypass as specified by Ofgem. We are also concerned that the discount can be considered to be applied on a flow basis rather than capacity basis and this raises TAR compliance issues.

0728A

As for 728 above. The additional stage one assessment does not remove the arbitrary nature of the distance cut-off.

0728B

As for 728A above, but concerning 5 km as the distance cut-off.

0728C

We have similar comments on the distance cut-off as for 728/A/B/D, but the use of a capacity basis for discounting allays TAR compliance concerns on this point.

0728D

As for 728A above, but concerning 5 km as the distance cut-off.

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

Holistic change is preferable which would suggest October 2020. However, we recognise that this represents a further material change to charging with potential large impacts on network users and consumers, and may require an Impact Assessment. We would wish to see the standard lead times to be adhered to, with at least a two month notice period preferred.

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

ESB would need to assess economic impacts of resulting GB tariff changes on its operations in GB, Republic of Ireland and Northern Ireland, and make any required changes as a result.

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

We have not reviewed 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).

Article 29 refers to the publication timeline for reserve prices at interconnection points to be 30 days prior to the annual yearly capacity auction. This timeline has been met with publication of the 678A tariffs on 5 June. We understand that 728/A/B/C/D would lead to a change in the RRC rate to be revised from zero. There is no reference to RRCs in Article 29. We note that Article 4 (b) (iii) specifies that the complementary revenue recovery charge shall be applied at points other than interconnection points, which would explain this omission in TAR. The spirit of the regulation appears to be that annual capacity purchases at IPs should be fully informed at the time of the auction, with no subsequent adjustment to capacity price paid.

Article 4 also states that Transmission Services revenue shall be recovered by capacity-based transmission tariffs. It is a compliance concern that 728/A/B and D feature a flow basis for application of discount and charging.

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

Holistic change is preferable which would suggest October 2020 for implementation along with UNC 678A. However, we recognise that this represents a further material change to charging with potential large impacts on network users and consumers, and may require an Impact Assessment.

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.*

None

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

None