

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:	Will Webster
Organisation:	OGUK
Date of Representation:	26 June 2020
Support or oppose implementation?	<p>Support</p> <p>0728 - Support</p> <p>0728A - Support</p> <p>0728B - Support</p> <p>0728C – Qualified 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:</p> <p>c) Positive</p> <p>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) None aa) Positive b) Positive c) None e) Positive</p> <p>0728A: a) None aa) Positive b) Positive c) Positive e) Positive</p> <p>0728B: a) None aa) Positive b) Positive c) Positive e) Positive</p> <p>0728C: a) None aa) Positive b) Positive c) None e) Positive</p> <p>0728D: a) None 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)

See summary text below

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

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

Insert Text Here

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

NA

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).

The proposed change appears to be consistent with the Tariff network code although it is noted that this will be modified by the Schedule 5 of the Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations 2019 on the expiry of the current transition period, currently expected at the end of 2020.

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

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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.*

NA

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

The optional short haul tariff is designed to avoid a situation where network users have the incentive to by-pass the transmission system by building a separate connection to the entry point. This could potentially lead to the undermining the integrity of the network and the NBP as a liquid wholesale market. Oil and Gas UK Members continue to view some form of shorthaul arrangement as necessary and that this must be implemented at the same time as the overall changes to the charging structure resulting from Modification 0678A. The risk of losing up to 24% of allowed revenue from bypass of the system, with those amounts having to be recovered from the remaining users would have a significant negative impact on the operation of the gas system.

OGUK members agree that the methodology for this product must balance the potential loss of demand from the NTS (and the resultant increase in revenue recovery from those remaining connected) with the potential level of cross subsidy due to discounts being provided to those at risk of bypassing the system.

There is not a common view on which alternate best meets the code objectives and individual members associated with these will make the relevant arguments in their responses to the consultation. However, it is noted that 0728C is something of an outlier in terms of the extent of “cross subsidy” being significantly higher than in the other alternates.