

## 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](mailto:enquiries@gasgovernance.co.uk)

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

<b>Representative:</b>	Richard Fairholme
<b>Organisation:</b>	Uniper
<b>Date of Representation:</b>	19/06/2020
<b>Support or oppose implementation?</b>	<p>0728 – Oppose</p> <p>0728A - Support</p> <p>0728B – Oppose</p> <p>0728C – Oppose</p> <p>0728D - Support</p>
<b>Expression of preference:</b>	<p><i>If either 0728, 0728A, 0728B, 0728C or 0728D were to be implemented, which would be your preference?</i></p> <p>0728D</p>
<b>Relevant Objective:</b>	<p>0728:</p> <p><b>c)</b> Negative</p> <p><b>d)</b> Negative</p> <p>0728A:</p> <p><b>c)</b> Positive</p> <p><b>d)</b> Positive</p> <p>0728B:</p> <p><b>c)</b> Negative</p> <p><b>d)</b> Negative</p>

	<p>0728C:  <b>c)</b> Negative  <b>d)</b> Negative</p> <p>0728D:  <b>c)</b> Positive  <b>d)</b> Positive</p>
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<p><b>Relevant Charging Methodology Objectives:</b></p>	<p>0728:  <b>a)</b> Negative  <b>aa)</b> None  <b>b)</b> None  <b>c)</b> Negative  <b>e)</b> Positive</p> <p>0728A:  <b>a)</b> Positive  <b>aa)</b> Positive  <b>b)</b> Positive  <b>c)</b> Positive  <b>e)</b> Positive</p> <p>0728B:  <b>a)</b> Negative  <b>aa)</b> None  <b>b)</b> None  <b>c)</b> Negative  <b>e)</b> Positive</p> <p>0728C:  <b>a)</b> Negative  <b>aa)</b> None  <b>b)</b> None  <b>c)</b> Negative  <b>e)</b> Positive</p> <p>0728D:  <b>a)</b> Positive  <b>aa)</b> Positive  <b>b)</b> Positive  <b>c)</b> Positive  <b>e)</b> Positive</p>
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**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

## 0728

As this proposal only provides a discount against Transmission Services charges, the incentive will be insufficient to deter potential bypass of the NTS by those most likely to

do so. Therefore, we do not believe this proposal achieves the industry's stated aims, as established through Review Group 0670R.

#### **0728A**

As this proposal provides a discount against both Transmission and Non-Transmission charges, we believe it would provide an appropriate incentive not to bypass the NTS where there is a credible likelihood of it happening, if such a product did not exist. Furthermore, 0678A introduces massive increases in payable charges for Exit points located close to Entry points. An effective shorthaul product is needed to address this issue and ensure the benefit they provide to the NTS (in terms of avoided investment) is appropriately reflected through the gas charging arrangements.

#### **0728B**

As this proposal only provides a discount against Transmission Services charges, the incentive will be insufficient to deter potential bypass of the NTS by those most likely to do so. Therefore, we do not believe this proposal achieves the industry's stated aims, as established through Review Group 0670R

#### **0728C**

As this proposal only provides a discount against Transmission Services charges, the incentive will be insufficient to deter potential bypass of the NTS by those most likely to do so. Therefore, we do not believe this proposal achieves the industry's stated aims, as established through Review Group 0670R

#### **0728D**

We fully support and favour implementation of 0728D. By providing appropriate discounts to both Transmission and Non-Transmission charges, we believe it represents the most appropriate incentive not to bypass the NTS. Furthermore, introduction of a 5km distance limit clearly restricts eligibility to only those sites where there is a credible option of bypass. We believe it therefore clearly meets the industry's stated aims. Furthermore, 0678A introduces massive increases in payable charges for Exit points located close to Entry points. An effective shorthaul product is needed to address this issue and ensure the benefit they provide to the NTS (in terms of avoided investment) is appropriately reflected through the gas charging arrangements.

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

1 October 2020 – or as soon as possible thereafter

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

Minimal set-up costs and administration

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

Yes

**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).*

We have no reason to believe that they are not compliant, however generally Shippers do not have the resources to seek legal opinions on every new UNC Modification Proposal and in particular those raised on urgent timescales. Expecting Shippers to undertake such detailed analysis also risks distorting the governance process if those Shippers with legal resources are able to influence the outcome, potentially to the detriment of Shippers that do not have access to such resources. Assessing compliance is ultimately the role of the Regulator and we note that all of the proposers have provided commentary and analysis to assist in this process.

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

In light of Ofgem's recent decision to go ahead with UNC 0678A implementation by 1 October 2020, we believe it is critical that an appropriate shorthaul product is in place at the same time. Otherwise, there risks being a hiatus of at least one gas year, during which many connectees may elect to bypass the NTS.

For clarity, we would support a mid-year implementation. Previous proposals that sought to remove shorthaul mid-year were opposed by many Shippers on timing grounds. However, the opposition was due to the adverse impact this would have on existing, agreed contracts. The effect of 0678A implementation is that no new shorthaul-based contracts will have been signed for Gas Year 20-21 and therefore no impact. Moreover, we believe that were shorthaul to be introduced mid-Gas Year, then the relevant Shippers would be able to react within year to ensure the benefits are passed to end consumers as soon 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.*

No.

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

We have nothing further to add.