

Representation – Modification UNC 0748 (Urgent)

Prospective Removal of Entry Capacity Revenue from Capacity Neutrality Arrangements

Responses invited by: 5pm on 11 December 2020

To: enquiries@gasgovernance.co.uk

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

Representative:	Tim Davis
Organisation:	Barrow Shipping
Date of Representation:	11 December 2020
Support or oppose implementation?	Oppose
Relevant Objective:	We suggest Ofgem should undertake and consult on an impact assessment to ascertain the effects of implementing the proposal.
Relevant Charging Methodology Objective:	We suggest Ofgem should undertake and consult on an impact assessment to ascertain the effects of implementing the proposal.

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

Any change to charging will lead to a redistribution of costs and no clear case has been made that the amended distribution will better facilitate the relevant objectives. It is deeply concerning that a change of this magnitude is being proposed so soon after an extended process that was supposedly underpinned by extensive analysis, including through an Ofgem Impact Assessment. The fact that National Grid now say their charge calculations were badly in error casts doubt on all that analysis. We would suggest it should be repeated and a proper impact assessment undertaken of the current proposal rather than National Grid looking to rush through a scantily justified change. Indeed we would suggest that this new information casts doubt on the appropriateness of the solution implemented in October such that an urgent post implementation review is justified to identify options for change beyond the current National Grid proposal.

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

If implemented, we would suggest the change is not implemented before October 2021 in order to give all parties time to understand and prepare for the impact.

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

In the time available, we have not been able to identify the change in costs we would face.

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

Ofgem have requested that parties give due consideration to the following questions:

Q1: Do you agree that the treatment of interruptible and within day firm entry capacities feeding into capacity neutrality is inappropriate?

No. A proper review of this is needed in the context of the charging methodology and capacity regime as a whole rather than reaching the conclusion change is needed without an impact assessment.

Q2: Do you agree that these revenues should be removed from capacity neutrality?

No. A proper review of this is needed in the context of the charging methodology and capacity regime as a whole rather than reaching the conclusion change is needed without an impact assessment.

Q3: Do you support that National Grid should be granted a one-off relaxation of its obligation to provide two months' notice of pricing changes?

No. Rapid price changes create instability and are best avoided. National Grid talk about being customer focussed, and if they wish to show some customer focus they should maybe consider absorbing the impacts of their miscalculation and making any adjustments to allowed revenue over an extended period following a review of how the present situation arose and how the charging methodology might be amended in light of the new information.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

It was surprising to see the assertion in the Modification Report that “The historical rationale for inclusion of such revenue in Capacity Neutrality was to keep the System Operator neutral to constraint management costs”. I cannot recollect this argument having been made at the time it was decided that daily revenues should sit outside allowed revenue. Similarly, it appears to be erroneous that National Grid argue that it is appropriate to change the revenue treatment now following a move to principally capacity based revenue recovery. I do not recall there being any significant commodity charges at the time the revenue treatment was first established, so it is erroneous to argue that a change, and especially an urgent change, is justified on this basis.

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