

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

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

<b>Representative:</b>	Terry Burke
<b>Organisation:</b>	Equinor
<b>Date of Representation:</b>	11 <sup>th</sup> December 2020
<b>Support or oppose implementation?</b>	Qualified Support
<b>Relevant Objective:</b>	<ul style="list-style-type: none"> <li>c) Positive</li> <li>d) Negative</li> <li>g) Neutral</li> </ul>
<b>Relevant Charging Methodology Objective:</b>	<ul style="list-style-type: none"> <li>a) Neutral</li> <li>b) Positive</li> <li>c) Neutral</li> </ul>

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

Equinor provides qualified support for the modification but supports the removal of entry capacity revenue from neutrality starting from 1<sup>st</sup> February 2021. This process was overlooked during the charging review and shows the importance of carefully considering the impact of all future changes to charging methodology.

Equinor is concerned with National Grid (NG) being able to waive the 2 month notice period for announcing changes to RRC as it is not clear from the wording in the modification if this would be a one off process or if it sets a precedent going forward for NG to announce changes at very short notice? We believe that changing the RRC with such short notice would be negative in relation to Relevant Objective (d) Securing effective competition.

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

1<sup>st</sup> February 2021 with a final decision from Ofgem announced as soon as possible preferably outside of the moratorium period. A change to pricing with 5 business days should be avoided. It is difficult to assess and analyse this proposal on such a short timetable, but this is probably the best solution available for the time being. We accept that urgent mods must be assessed quickly by industry stakeholders, but 3 business days is unacceptably short and something that shouldn't be repeated for proposals with a material impact

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

It is not feasible to provide a full analysis of the impacts and potential costs of this proposal due to the highly condensed timetable of this consultation. The impact of announcing such a large RRC significantly increases the cost of bringing gas to the UK during the period of the of the RRC which could have further impacts on the market.

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

Equinor believes the legal text delivers the intent of the solution but remains concerned that NG should have dispensation to amend charges at less than 2 months' notice. We would like to see it confirmed in the final decision this will be a one-off process.

**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?**

**Yes/No**

Equinor agrees the treatment of short-term capacity feeding into capacity neutrality is inappropriate and should have been addressed during the Gas Charging Review Process. A wider review of how revenues are apportioned across Transmission and Non-Transmission would be sensible.

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

**Yes/No**

Equinor agrees a short-term solution to this issue is needed and hope this will not create further unintended consequences.

**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?**

**Yes/No**

Equinor has reservations about relaxing the obligation to provide two months' notice of changes to charges, especially to a period as short as 5 business days.

**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.*

N/A

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

N/A