

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:	Will Webster
Organisation:	OGUK
Date of Representation:	11 December 2020
Support or oppose implementation?	Support
Relevant Objective:	<ul style="list-style-type: none"> c) Positive d) Positive g) Positive
Relevant Charging Methodology Objective:	<ul style="list-style-type: none"> a) Positive b) Positive c) Positive

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

The revision of the gas charging regime under 0678A has changed booking strategies with fewer shippers booking capacity products ahead of time, with more capacity booked as Daily NTS Entry Capacity, Daily Interruptible NTS Entry Capacity and Interruptible Day-ahead Auction or Within-Day Auction products. The revenues from sales of these products are now much higher than before 0678A was implemented. The current Capacity Neutrality mechanism distributes these revenues back uniformly to network users including, for example, those which have not secured capacity in auction. In addition, these revenues do not then contribute to meeting NG allowed revenues, meaning that further upward adjustments are then required to the reserve prices in subsequent periods. These impacts are likely to make charges unpredictable and with an undue differential impact on users compared to the original intention of the neutrality mechanism. Support for this modification should not be taken as implying any particular view on future related modifications.

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

Implementation of this proposal should take effect as soon as practicable.

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

NA

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

OGUK has not reviewed the legal text.

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

Given the impact of 0678A on shipper booking behaviour, the capacity neutrality revenues are now significant, and the capacity neutrality mechanism is now leading to some unintended effects which have a differential and unpredictable impact

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

Yes

Removing these revenues from the capacity neutrality mechanisms would ensure these contribute to NG allowed revenue so that there is a better match between capacity booked and used in any particular year and the revenues received from network users

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

This would allow the earliest practical revision to charge rates as a consequence of the implementation of this proposal and thus more quickly correct the regime to better reflect the code objectives.

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.*

No

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

NA