

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:	Gerry Hoggan
Organisation:	ScottishPower Energy Management Limited
Date of Representation:	11 December 2020
Support or oppose implementation?	Qualified support and comments
Relevant Objective:	c) Neutral d) Negative g) Neutral
Relevant Charging Methodology Objective:	a) Positive b) Positive c) Negative

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

We can only offer qualified support and comments at this stage as we have not been able to complete a comprehensive assessment of the likely impacts of this far-reaching proposal within the truncated time available. Moreover, the manner in which it has been hastily pulled together, of necessity without the usual benefit of any Workgroup consideration or analysis, does give rise to concerns of unintended consequences elsewhere within the new charging regime. Having said that any change in charges arising from this particular proposal in isolation would appear to be downwards and be more reflective of the true level of Allowed Revenue recovery, such that we would be supportive subject to concerns over any unidentified knock on effects.

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

Subject to our concerns above regarding timing and assessment it appears preferable that any implementation should be as soon as possible. However, it is essential that that should only be allowing for due notice periods as specified within the existing arrangements. It should not be lost that parties may already have taken account of the previously published charges and further significant changes bring a level of volatility that is undesirable. Indeed, price stability was supposed to be one of the cornerstones of the new regime.

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

We have been unable to undertake a comprehensive assessment in the extremely limited time available. It is notable that National Grid have identified impacts to both the Gemini and UK Link invoicing systems yet those impacts are still being assessed

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

The legal text appears to deliver the principal intent of the proposal. However, it also appears to include a wider ability to National Grid to vary “any Transportation Charge” within year rather than being limited to this proposal. Any general power regarding short notice is outwith the scope of this proposal and should otherwise be subject to wider scrutiny and assessment allowing for the significant implications that that may have.

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?

The consequences of the inclusion of those products in capacity neutrality appear to have been the driver for this proposal and so it may well be the case that that should be discontinued going forward. However, charging regimes are complex with many interactions between individual elements and we remain concerned that this may have not been thoroughly assessed.

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

That would appear appropriate although that again is subject to our concerns around unintended consequences.

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

We would be concerned about reducing the notice requirements as this would limit parties’ ability to factor in such new charges, and particularly when the proposal includes a reduction to only 5 working 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.*

Allowing for the scale of the proposal and the potential interactions with other elements of the charging regime it is not possible in the time available to say definitively whether there are any errors or omissions.

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

None