

Representation - Draft Modification Report UNC 0764 (Urgent) UNC TPD Section Y (Part A-I) amendments to Kt to align to RII02 Licence

Responses invited by: 5pm on 05 May 2021

To: enquiries@gasgovernance.co.uk

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

Representative:	Laura Johnson
Organisation:	National Grid NTS
Date of Representation:	28 April 2021
Support or oppose implementation?	Support
Relevant Objective:	c) Positive d) Positive f) Positive
Relevant Charging Methodology Objective:	a) Positive aa) Positive

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

As the proposer, National Grid NTS supports the implementation of this Modification Proposal. This ensures alignment with the NGG Licence and delivers the necessary changes to the UNC, to ensure continuity of treatment in line with the methodology and Licence that was in place before 01 April 2021

Within UNC TPD Section Y there are references to the NGG Licence, that relate to the RII01 NGG Licence (effective up to and including 31 March 2021) and will need to be updated to reflect the RII02 NGG Licence which is applicable from 01 April 2021 (the prevailing Licence). There are updates in the prevailing Licence that are necessary to reflect in the UNC in relation to the under / over recovery related to Transmission Owner revenues, known as the “Kt” term in the Licence, that would impact the total revenue for Transmission Services (related to this under / over recovery) if not reflected in UNC to align with the prevailing Licence.

The proposal is looking to:

1. Update the polarity of how “K” is accommodated to align with the prevailing Licence

2. Update how the ratio to apportion “K” between Transmission Services Entry and Exit is determined so it based on the year in question
3. As per (1) and (2) the same treatment for “LK” which represents a one off treatment for Regulatory Year 19/20
4. Update relevant Licence references related to “K” in UNC TPD Section Y

The result of these changes ensures that the value of Kt and LKt are applied correctly and that references to Kt in UNC TPD Section Y align appropriately to the prevailing NGG Licence and therefore positive for Relevant Objective (c).

By way of example, where the value of Kt reflects an under recovery, it should be added on to revenues to collect. Without this change, the UNC as written would subtract it rather than add this on as the approach where K is subtracted is embedded in UNC TPD Section Y. This would result in a mismatch that would need reconciliation, via a future modification, were 0764 not implemented. Irrespective of an under or over recovery value for Kt, the impact would be to misalign the required revenue from K by a factor of two (i.e. without the change, an under recovery of £50m would result in understating the required revenue to collect by £100m. Similarly, an over recovery of £50m would result in overstating the required revenue to collect by £100m).

This Modification will remove the uncertainty for pricing purposes by clarifying and updating the UNC ahead of setting Gas Year 21/22 Transmission Services Reserve Prices (as any mismatch without this change would still need to be resolved over time), by aligning UNC to the prevailing Licence.

Overall this removes potential competitive distortions that might otherwise occur by not having such carry-over of revenues and impacts of one year felt in another thereby improving competition.

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 following Authority direction to do so, but no later than a date that would enable the publication of Transmission Services Entry and Exit Reserve Prices by 05 June 2021. This is to ensure the references in UNC TPD Section Y for Kt are aligned to the prevailing Licence and the appropriate apportionment of any under / over recovery through the Allowed Revenues is allocated to Transmission Services Entry and Exit.

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

There are no costs associated with this modification.

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

National Grid NTS are satisfied that the legal text delivers the intent of the solution identified in this Proposal.

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