

Representation - Draft Modification Report UNC 0752

Introduction of Weekly Entry Capacity Auction

Responses invited by: 5pm on 11 May 2021

To: enquiries@gasgovernance.co.uk

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

Representative:	Stephen Parle
Organisation:	PETRONAS Energy Trading Ltd
Date of Representation:	10 th May 2021
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive

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

Daily capacity auctions offer no guarantee of availability. For planning purposes, LNG Shippers require certainty that they will be able to discharge gas into the NTS for several days pre &/or post-delivery of a vessel to a Terminal. There are often operational reasons for this.

At the moment only monthly (or even longer term) auctions can provide this certainty. However, monthly auctions require Shippers to commit to the whole monthly strip when only several days of capacity may be required. Additionally, the frequency and timing of monthly auctions may lead to LNG Shippers not committing to short term opportunities to source LNG cargos if the monthly auction has already passed.

Following the implementation of Mod 678A, the purchase of excess capacity via monthly auctions can be prohibitively expensive, discouraging Shippers from contracting for LNG cargos and reducing the competitiveness of the UK entry points. If the excess capacity were to be purchased, then this results in an inefficient allocation of capacity to Shippers that do not require it.

Weekly capacity auctions will help to address these issues by encouraging supply via providing certainty to LNG Shippers in terms of being able to discharge the gas into the NTS, reducing entry costs by allowing for capacity purchases that are more closely aligned with anticipated gas flows and preventing inefficient and unnecessary capacity bookings.

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

ASAP but no later than 1st October.

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

No costs anticipated as a result of implementation.

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

Yes. However, it would be preferable if the auctions were held at D-11 or D-12. As the text stands, with the auctions taking place at D-10, the allocations at D-9 would occur on a weekend. Allocations on a business day would be more helpful.

Modification Panel Members have requested that the following questions are addressed:

Q1. Do you consider this Modification to be suitable for self-governance procedures?

Yes. We do not believe any parties will be discriminated against by implementation.

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