# Representation - Draft Modification Report UNC 0751

# Capping price increases for Long-Term Entry Capacity

**Responses invited by: 5pm on 11 June 2021**

**To:** enquiries@gasgovernance.co.uk

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

| | |
|---|---|
| **Representative**: | Christiane Sykes |
| **Organisation:** | Shell Energy Europe Limited (SEEL) |
| **Date of Representation:** | 11 June 2021 |
| **Support or oppose implementation?** | Oppose |
| **Relevant Objective:** | **c)** Negative<br>**d)** Negative<br>**g)** Negative |
| **Relevant Charging Methodology Objective:** | **c)** Negative<br>**e)** Negative |

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

SEEL does not support this proposal on the basis that it risks inflating prices for other Users, which is detrimental to creating a competitive level playing field for the purchase of capacity.

We note National Grid's assessment of future impacts, which outlined the risk that if prices rise and people begin to take advantage of this Modification, there could be a spiralling problem of a dwindling base over which to recover their Allowed Revenue. While National Grid has stated this is unlikely to happen at the moment, UK gas market players have recently been subject to almost unprecedented tariff uncertainty and volatility and what might be true for the moment does not guarantee what might be true in future years The proposal also risks creating perverse capacity booking incentives.

In addition, we share concerns raised in the Workgroup report that the Proposal might not be compliant with the NC TAR, which indicates that the ''floating payable price' means a price calculated in accordance with Article 24(a) where the reserve price is subject to adjustments such as revenue reconciliation, adjustment of the allowed revenue or adjustment of the forecasted contracted capacity.'' It does not foresee adjustments in the form of a price cap.

According to the analysis shared in the Workgroup report, price capping could result in revenue under-recoveries over the period of around £295m (ranging from £8m/year to £33m/year).This means that the aforementioned under-recoveries will be addressed by increased capacity charges of equivalent sums to be paid by other Users, leading to inefficient cost allocation by the creation of a cross-subsidy from one type of network user to another and arguably discriminating against Interconnection Points given that the proposal only applies to non-IPs, which is not in line with the NC TAR obligation that reference prices must not distort cross-border trade.

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

Insert Text Here

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

Insert Text Here

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

Insert Text Here

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

*Q1: Provide views on whether this Modification is suitable for Self-Governance procedures.*

Insert Text Here

*Q2: Provide views on whether there are any compliance issues associated with this Modification.*

Insert Text Here

**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.*

Insert Text Here

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

Insert Text Here