

## Representation - Draft Modification Report UNC 0765

### New retrospective debit and credit charges to reflect changes to the treatment of Entry Capacity Revenue between October and December 2020

Responses invited by: **5pm on 20 September 2021\***  
**extended to 5pm on 24 September 2021**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

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

<b>Representative:</b>	Terry Burke
<b>Organisation:</b>	Equinor
<b>Date of Representation:</b>	20 <sup>th</sup> September 2021
<b>Support or oppose implementation?</b>	Oppose
<b>Relevant Objective:</b>	<p>c) Negative</p> <p>d) Negative</p> <p>g) Negative</p>
<b>Relevant Charging Methodology Objective:</b>	<p>a) Negative</p> <p>b) Negative</p> <p>c) Negative</p>

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

Equinor strongly opposes this modification due to its retrospective nature even though the capacity neutrality arrangements have been in place for over 20 years and were well understood by the industry. A retrospective mod has never been approved in the gas market and to approve this one would set a bad precedent while undermining market confidence. Equinor is concerned that approval of this mod also poses a risk of instability in the market where predictability is very important on the basis that further retrospective mods could be approved in the future. Ofgem have outlined their concerns on retrospection previously in rejecting mod 0341 [1](#)

It should be noted the capacity neutrality revenue allocation rules were not affected by the implementation of the new transmission charging regime on 1 October 2020. That was approved with knowledge of the neutrality framework. Oversight of existing rules or not fully understanding their impact is not a sufficient justification for a retrospective modification.

1 [Ofgem UNC 0341 Decision Document Letter \(gasgovernance.co.uk\)](#)

Equinor does not agree that any of Ofgem's criteria in relation to retrospection are met while none of the relevant objectives are furthered by this mod.

- **a situation where the fault or error giving rise to additional costs or losses was directly attributable to central arrangements.**

Equinor does not believe these criteria was met as the central arrangements have been in place for more than 20 years and have been widely understood by industry.

- **combinations of circumstances that could not have been reasonably foreseen;**

The issue was foreseen; during the very lengthy discussions within the charging workgroups which raised queries in relation to revenue flows and likely changes in short term capacity booking behaviour.

- **where the possibility of a retrospective action had been clearly flagged to the participants in advance, allowing the detail and process of the change to be finalised with retrospective effect.**

National Grid originally flagged their concerns to the industry in November 2020 but there was no reference to a proposal with retrospective action at that time. The mod itself specifically applies back to October 2020 therefore these criteria cannot be applied.

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

No lead time given as the modification should not be implemented.

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

The impacts are outlined above in our response.

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

No view

**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**