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Sent by e-mail to: enquiries@gasgovernance.co.uk

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To: Joint Office of Gas Transporters, relevant Gas Transporters, Shippers and other interested parties

GM&T response to UNC Mod 765 - New retrospective debit and credit charges to reflect changes to the treatment of Entry Capacity Revenue between October and December 2020

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

[Ofgem's guidance](#) on modifications with retrospective elements highlights that "*retrospective modifications should be avoided as they undermine market confidence*". It also goes further to state that the cost/loss incurred needs to be material in order to permit such a change. With consideration to this guidance, we believe the issues identified by National Grid in UNC Mod 675 are not severe enough to require the introduction of retrospective charges for the following reasons:

- 1) Retrospective regulatory change hinders market development, particularly during a time when the GB gas charging framework has lacked clear direction and certainty for a number of years, resulting from the implementation of NC TAR. Enabling this mod is highly likely to set a precedent, leading to an influx of modifications requesting retrospective consideration. For example, backdating the application of UNC Mods 727, 728, 729 where "shorthaul" and storage discounts will apply from October 21.
- 2) The increase in neutrality revenue was highly predictable due to the implementation of UNC 0678A which resulted in the cost of capacity increasing significantly from a reserve price of zero, and therefore a change in booking behaviour favouring shorter term capacity purchases. This was foreseen by industry and communicated during the development of UNC 0678A and the associated final workgroup report.

- 3) An RRC was implemented on 1st February 2021, pricing the under recovery into the NBP and subsequently passing this cost onto end-consumers. There is no evidence in UNC Mod765 to suggest the consumer will benefit from the proposed Transitional Entry Adjustment Charge, with National Grid simply citing on page 11 that the downstream impact will depend on shippers' contractual relationships and whether they wish to "gift" the payments. On this basis, there is little evidence that this mod will "restore fairness".

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

We do not support implementation.

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

No comment

Legal text: are you satisfied that the legal text will deliver the intent of the Solution?

No comment

Are there any errors or omissions in this Modification that you think should be taken into account?

National Grid has failed to prove that the industry was informed a retrospective charge would take place with reasonable notice; this also features as part of Ofgem's criteria for retrospective mod changes.

Please provide any additional analysis or information to support your representation

We note that there is overwhelming opposition to this modification, including opposing views from shippers that will be net beneficiaries of this mod if implemented.

We hope the comments above prove helpful. Please do not hesitate to contact me on +44 (0)20 7756 9732 or at sinead.obeng@gazprom-mt.com if you wish to discuss any aspect of our response in further detail.

Yours faithfully,

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