

Representation - Draft Modification Report UNC 0796

Revision to the Determination of National Grid NTS Target Revenue for Transportation Charging

Responses invited by: **5pm on 11 March 2022**

To: enquiries@gasgovernance.co.uk

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

Representative:	Rebecca Band
Organisation:	Wales & West Utilities
Date of Representation:	
Support or oppose implementation?	Comments
Relevant Objective:	d) Positive/Negative/None * <i>delete as appropriate</i>
Relevant Charging Methodology Objective:	aa) Positive/Negative/None * <i>delete as appropriate</i> c) Positive/Negative/None * <i>delete as appropriate</i>

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

We recognise the problem caused by prices being set half-way through a financial year which causes WWU problems if NTS exit capacity, and other charges change materially in October. The analysis, and proposed modification, seems to be based on an implicit assumption that NTS allowed revenue is stable year to year. It is not clear whether the solution works for other paths of NTS allowed revenue and what the quantifiable impact will be on changing the existing methodology in the first year. We cannot comment on whether the proposal furthers the relevant objectives as we think that the analysis is incomplete and therefore this response only provides comments and not support or opposition. We also think that if NG is confident that the result of the modification will produce the result expected then there is no need for Revenue Recovery Charges that allow for within year price changes to be implemented by NG. Any within year price changes should be subject to Ofgem consent as for distribution networks.

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

If the solution is robust, it should be implemented in time to take effect for the price changes to be implemented on 1st October 2022.

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

No implementation costs but we would be exposed to working capital impacts of any mid-year changes in charges and one-off impact in the first year of the change in methodology.

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

We have not reviewed the legal text.

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

Q1 Would the solution proposed produce the desired result under all paths of NTS allowed revenue?

- a) Constant level of allowed revenue for each year*
- b) Allowed revenue rising or falling steadily year on year*
- c) Other scenarios.*

We have not analysed the solution under various paths of NTS allowed revenue and think that this is something the proposer should have covered in the modification proposal. For example, are there scenarios where the proposed solution will result in persistent under or over recovery or non-convergence to the allowed revenue value?

The modification proposes the removal of the existing Transmission Services Entry Rebate Charge. If NG are confident that the introduction of this change will enable it to have more stable capacity charges year to year then it should be able to remove Revenue Recovery Charges that allow for within year adjustments to charges. We think that NG should be in the same position as Distribution Networks that can only make within year price changes with Ofgem consent.

While we support the aim of the proposal we are concerned about the risk of unintended consequences and think that the solution needs to be demonstrably robust before it is implemented.

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.*

The modification refers to the NG licence and while licence compliance is a matter for NG, it is not immediately clear that this proposal will further compliance with the NG licence. We note that the proposer considers that there is no impact on relevant objective (c) *Efficient discharge of the licensee's obligations*.

The analysis solely looks at entry presumably because that is where the main concern lies for NG and on the assumption that what works for entry will work for exit; however, at best it gives the impression that the interests of exit customers are not considered. It should be noted that DNs are exit customers but not entry customers of NG.

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