

Representation - Draft Modification Report UNC 0805 Introduction of Weekly NTS Exit Capacity Auctions

Responses invited by: **5pm on 12 August 2022**

To: enquiries@gasgovernance.co.uk

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

Representative:	Alastair Tolley
Organisation:	EP UK Investments
Date of Representation:	
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive
Relevant Charging Methodology Objective:	Not Applicable* <i>delete as appropriate</i>

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

EP UK Investments supports this modification as it provides Direct Connects, especially CCGT power stations, with a tool for efficiently managing the capacity requirements and risks associated with their operation and provides NGG with greater forward visibility of these users' booking behaviour.

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

We consider that a weekly exit capacity product should be in place as soon as possible to allow CCGTs to manage gas capacity risks. Ideally, this would be time for winter 2022/23 due to the high risk of exit capacity interruption or non-availability of daily firm capacity in this period.

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

There would be no additional cost incurred by EP UK Investments as a result of the introduction of weekly auctions. The additional product would enhance our capacity options and allow us to manage our capacity requirements and associated risks in the most economic and efficient way.

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

Yes, we are satisfied with the legal text.

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.*

None.

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

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Since October 2020 most generators attempt to match their exit capacity bookings as closely as possible to anticipated flows through daily capacity bookings rather than buying annual or enduring firm products in order to minimise capacity costs. However, many generators would benefit from a firm exit capacity product that is shorter than a year but longer than a day. This would allow for more efficient management of capacity requirements based on expected generation profiles, especially during the winter months. Allowing direct connects to buy capacity further in advance than day ahead would also provide NGG with greater certainty of capacity requirements during tight winter months and assist with system planning and operation.

A key risk facing generators this winter is the availability of daily firm exit capacity as such capacity can be withheld from sale at NGG's discretion where it forecasts a constraint. This could leave generators unable to access uninterruptible exit capacity when the gas supply situation is expected to be tight. For a CCGT that has already committed to delivery in the electricity market, not being able to access exit capacity in order to generate could leave it exposed to high costs in either buying back its position when the power market is tight or facing electricity imbalance prices of up to £6,000/MWh. To avoid these penalties, a generator may be encouraged to offtake gas without holding exit capacity and incur overrun charges, making the capacity regime ineffective. The option to book a weekly exit capacity product could help avoid this behaviour.

In general, we believe that there is a mismatch between gas and electricity market rules and incentives when both systems are tight or in an emergency situation. We consider that urgent discussions are required between all parties to assess and resolve these issues ahead of this winter.