

Representation - Draft Modification Report UNC 0818

Releasing of unused capacity under a specific set of circumstances

Responses invited by: 5pm on 24 February 2023

To: enquiries@gasgovernance.co.uk

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

Representative:	Gareth Evans
Organisation:	ICoSS
Date of Representation:	24 February 2023
Support or oppose implementation?	Oppose
Relevant Objective:	<p>a) Negative</p> <p>c) Negative</p> <p>d) Negative</p>
Relevant Charging Methodology Objective:	Not Applicable

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

This modification undermines a fundamental mechanism that has been present in the gas market since privatisation; the ability for Shippers on behalf of their Daily Metered customers to ensure they can access the network when required without incurring financial penalties or jeopardising system operations.

More specifically, we have numerous concerns over this proposal:

- The Gas Transporter will have sole discretion on what capacity a customer will be allowed to have as they can unilaterally revoke capacity at any time. Customers will need to rely on Gas Transporters' "goodwill" to ensure sufficient capacity, rather than being able to pay for access.
- Any appeal being considered by the same party who has proposed the reduction and provides no meaningful protection.
- The process is not transparent; Shippers will not be aware of which areas of the network are subject to "*constraints on the availability of System Point Capacity*" so all Daily Metered sites will now have significant uncertainty to the security of any capacity bookings they have made.

- The exclusion of Category A sites protects only a small subset of premises and does not prevent other Protected Users (such as those critical for national security) being denied access to the network.
- This proposal removes the ability for customers to protect themselves from ratchet charges by booking an appropriate margin of capacity.
- As stated in the modification, networks do not have historic information on system reinforcement costs and so the safeguard of not revoking capacity procured through payment of system reinforcement cost is meaningless.
- No provision is given for the potential future needs of the customer who have paid and maintained capacity bookings on the expectations they can access the network in the future.

More fundamentally, this modification removes any balance between the rights of Shippers and Gas Transporters with one party effectively making all distribution network capacity interruptible. This changes create significant uncertainty regarding capacity bookings and, more generally, creates a dangerous precedent where the Gas Transporters may revoke network access to customers who have paid for it in good faith. Such a precedent will damage market confidence.

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

If this modification is implemented our concerns notwithstanding, we believe that will require a significant lead time as ALL Daily Metered customers are likely to review any capacity bookings with a view to reducing them as they now offer no guarantee

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

Any long-term capacity booking above historic daily offtake peaks will now become worthless under this proposal as they provide no guarantee of network access. Our members will need to engage in a review of all such bookings with a view to reducing them.

If capacity reductions occur in a significant number of sites then we expect that members will have to accommodate significant increases in transportation unit rates to compensate for the loss in revenue from these capacity bookings. We note that no assessment has been included in the workgroup report regarding the amount of capacity at risk due to this modification.

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: Do you have comments on the Modification's impact on sites that may be identified in the future?

This modification will remove the ability for customers to ensure future capacity needs on the Gas Distribution Networks more than 3 years in advance. This will create significant

uncertainty for these parties who are seeking to increase their gas use, reducing the attractiveness of the gas market.

Q2: Is the magnitude of the change proportionate to the need?

No. This solution is disproportionate to the issue at hand. It will remove any certainty Shippers and customer have regarding capacity bookings to manage a comparatively minor issue to avoid the need for new potential customers to pay for system reinforcement. We do not agree this modification avoids unnecessary system reinforcement; if more is needed than the network can provide then the additional capacity provision is necessary. Existing processes for providing and funding that additional capacity should then be followed.

Q3: Do you have comments on the mechanism by which the capacity of an end-user consumer could be reduced?

Customers who pay for capacity should not have their business decisions questioned or overturned by the Gas Transporters. If the customer has been offered the opportunity to reduce their capacity and has indicated they wish to continue to pay for it, that decision should be respected.

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.*

NA

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

NA