

**Representation - Draft Modification Report**

**UNC 0678; 0678A; 0678B; 0678C; 0678D; 0678E; 0678F; 0678G; 0678H; 0678I; 0678J;**

**Amendments to Gas Transmission Charging Regime**

|       |  |
|-------|--|
| 0678  | Amendments to Gas Transmission Charging Regime   |
| 0678A | Amendments to Gas Transmission Charging Regime (Postage Stamp)   |
| 0678B | Amendments to Gas Transmission Charging Regime   |
| 0678C | Amendments to Gas Transmission Charging Regime (Postage Stamp)   |
| 0678D | Amendments to Gas Transmission Charging Regime including a Cost based Optional Capacity Charge                 |
| 0678E | Amendments to Gas Transmission Charging Regime – Treatment of Storage  |
| 0678F | Amendments to Gas Transmission Charging Regime – Treatment of Unprotected Entry Capacity Storage               |
| 0678G | Amendments to Gas Transmission Charging Regime including a Cost based Optional Capacity Charge                 |
| 0678H | Amendments to Gas Transmission Charging Regime (Postage Stamp) including a Cost based Optional Capacity Charge |
| 0678I | Amendments to Gas Transmission Charging Regime including Wheeling and an Ireland Security Discount             |
| 0678J | Amendments to Gas Charging Regime (Postage Stamp) including a Cost Based Optional Capacity Charge              |

**Responses invited by: 5pm on 08 May 2019**

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

|  |  |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
|--|--|--|------|--------|-------|--------|-------|---------|-------|--------|-------|-------------------|-------|--------|-------|--------|-------|-------------------|-------|---------|-------|--------|-------|-------------------|
| <b>Representative:</b>   | Alastair Tolley, Head of Policy and Regulation   |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| <b>Organisation:</b>   | EP UK Investments Ltd  |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| <b>Date of Representation:</b>   | 8 May 2019   |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| <b>Support or oppose implementation?</b><br>(Please note you will be asked for your reasoning further below) | <table border="1"> <tr><td>0678</td><td>Oppose</td></tr> <tr><td>0678A</td><td>Oppose</td></tr> <tr><td>0678B</td><td>Support</td></tr> <tr><td>0678C</td><td>Oppose</td></tr> <tr><td>0678D</td><td>Qualified Support</td></tr> <tr><td>0678E</td><td>Oppose</td></tr> <tr><td>0678F</td><td>Oppose</td></tr> <tr><td>0678G</td><td>Qualified Support</td></tr> <tr><td>0678H</td><td>Support</td></tr> <tr><td>0678I</td><td>Oppose</td></tr> <tr><td>0678J</td><td>Qualified Support</td></tr> </table> |  | 0678 | Oppose | 0678A | Oppose | 0678B | Support | 0678C | Oppose | 0678D | Qualified Support | 0678E | Oppose | 0678F | Oppose | 0678G | Qualified Support | 0678H | Support | 0678I | Oppose | 0678J | Qualified Support |
| 0678   | Oppose   |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| 0678A  | Oppose   |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| 0678B  | Support  |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| 0678C  | Oppose   |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| 0678D  | Qualified Support  |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| 0678E  | Oppose   |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| 0678F  | Oppose   |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| 0678G  | Qualified Support  |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| 0678H  | Support  |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| 0678I  | Oppose   |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| 0678J  | Qualified Support  |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |
| <b>Expression of Preference</b> (Please note you will be asked for your reasoning further below)             | <p>If <b><i>NEITHER</i></b> 0678; 0678A; 0678B; 0678C; 0678D; 0678E; 0678F; 0678G; 0678H; 0678I <b><i>OR</i></b> 0678J were to be implemented, which <b><i>ONE</i></b> Modification would be your preference?</p> <p>0678B</p>   |  |      |        |       |        |       |         |       |        |       |                   |       |        |       |        |       |                   |       |         |       |        |       |                   |

**Standard Relevant Objective:**

| <b>0678</b> |          |
|-------------|----------|
| a)          | Negative |
| b)          | None     |
| c)          | Positive |
| d)          | Negative |
| e)          | None     |
| f)          | None     |
| g)          | Positive |

| <b>0678A</b> |          |
|--------------|----------|
| a)           | Negative |
| b)           | None     |
| c)           | Positive |
| d)           | Negative |
| e)           | None     |
| f)           | None     |
| g)           | Positive |

| <b>0678B</b> |          |
|--------------|----------|
| a)           | Positive |
| b)           | None     |
| c)           | Positive |
| d)           | Positive |
| e)           | None     |
| f)           | None     |
| g)           | Positive |

**Standard Relevant Objective (continued):**

| <b>0678C</b> |          |
|--------------|----------|
| a)           | Negative |
| b)           | None     |
| c)           | Positive |
| d)           | Negative |
| e)           | None     |

**Standard Relevant  
Objective  
(continued):**

|              |          |
|--------------|----------|
| f)           | None     |
| g)           | Positive |
| <b>0678D</b> |          |
| a)           | Positive |
| b)           | None     |
| c)           | Positive |
| d)           | Positive |
| e)           | None     |
| f)           | None     |
| g)           | Positive |
| <b>0678E</b> |          |
| a)           | Negative |
| b)           | None     |
| c)           | Positive |
| d)           | Negative |
| e)           | None     |
| f)           | None     |
| g)           | Positive |
| <b>0678F</b> |          |
| a)           | Negative |
| b)           | None     |
| c)           | Positive |
| d)           | Negative |
| e)           | None     |
| f)           | None     |
| g)           | Positive |

**Standard Relevant  
Objective  
(continued):**

|              |          |
|--------------|----------|
| <b>0678G</b> |          |
| a)           | Positive |
| b)           | None     |
| c)           | Positive |
| d)           | Positive |
| e)           | None     |
| f)           | None     |
| g)           | Positive |
| <b>0678H</b> |          |
| a)           | Positive |
| b)           | None     |
| c)           | Positive |
| d)           | Positive |
| e)           | None     |
| f)           | None     |
| g)           | Positive |
| <b>0678I</b> |          |
| a)           | Negative |
| b)           | None     |
| c)           | Positive |
| d)           | Negative |
| e)           | None     |
| f)           | None     |
| g)           | Positive |
| <b>0678J</b> |          |
| a)           | Positive |
| b)           | None     |
| c)           | Positive |
| d)           | Positive |
| e)           | None     |
| f)           | None     |

|  |    |          |
|--|----|----------|
|  | g) | Positive |
|--|----|----------|

**Charging  
Methodology  
Relevant Objective:**

|             |          |
|-------------|----------|
| <b>0678</b> |          |
| a)          | Negative |
| aa)         | Negative |
| b)          | Positive |
| c)          | Negative |
| d)          | None     |
| e)          | Positive |

**Charging  
Methodology  
Relevant Objective  
(continued):**

|              |          |
|--------------|----------|
| <b>0678A</b> |          |
| a)           | Negative |
| aa)          | Negative |
| b)           | Positive |
| c)           | Negative |
| d)           | None     |
| e)           | Positive |

|              |          |
|--------------|----------|
| <b>0678B</b> |          |
| a)           | Positive |
| aa)          | Positive |
| b)           | Positive |
| c)           | Positive |
| d)           | None     |
| e)           | Positive |

|              |          |
|--------------|----------|
| <b>0678C</b> |          |
| a)           | Negative |
| aa)          | Negative |
| b)           | Positive |
| c)           | Negative |
| d)           | None     |
| e)           | Positive |

**Charging  
Methodology  
Relevant Objective  
(continued):**

| <b>0678D</b> |          |
|--------------|----------|
| a)           | Positive |
| aa)          | Positive |
| b)           | Positive |
| c)           | Positive |
| d)           | None     |
| e)           | Positive |

| <b>0678E</b> |          |
|--------------|----------|
| a)           | Negative |
| aa)          | Negative |
| b)           | Positive |
| c)           | Negative |
| d)           | None     |
| e)           | Positive |

| <b>0678F</b> |          |
|--------------|----------|
| a)           | Negative |
| aa)          | Negative |
| b)           | Positive |
| c)           | Negative |
| d)           | None     |
| e)           | Positive |

| <b>0678G</b> |          |
|--------------|----------|
| a)           | Positive |
| aa)          | Positive |
| b)           | Positive |
| c)           | Positive |
| d)           | None     |
| e)           | Positive |

**Charging  
Methodology  
Relevant Objective**

(continued):

|              |          |
|--------------|----------|
| <b>0678H</b> |          |
| a)           | Positive |
| aa)          | Positive |
| b)           | Positive |
| c)           | Positive |
| d)           | None     |
| e)           | Positive |
| <b>0678I</b> |          |
| a)           | Negative |
| aa)          | Negative |
| b)           | Positive |
| c)           | Negative |
| d)           | None     |
| e)           | Positive |
| <b>0678J</b> |          |
| a)           | Positive |
| aa)          | Positive |
| b)           | Positive |
| c)           | Positive |
| d)           | None     |
| e)           | Positive |

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

#### **0678**

We do not consider the Capacity Weighted Distance methodology to be an improvement on the current arrangements as the methodology generates distorted locational signals. The distance matrix may not reflect the real distance over which gas is transported and therefore the actual costs incurred in transporting gas through the network. This can lead to perverse outcomes, such as high prices for exit points located close to entry points. Some form of adjustment (eg. a shorthaul discount) is therefore required to make a CWD approach more cost-reflective.

#### **0678A**

Both the CWD and Postage Stamp Reference Price Methodologies represent a move towards cost allocation approaches. We consider that a Postage Stamp approach would be a more equitable way than CWD in which to allocate costs for a network characterised by spare capacity. This would address Ofgem's concerns about the weaknesses of a CWD approach set out in its decision letter on UNC0621.



|   |
|---|
| <p>However, as a Postage Stamp approach entirely removes locational signals, this would result in undue cross-subsidisation between users located close to entry points and those at the extremities of the network. Some form of adjustment (eg. a shorthaul discount) would need to be applied to the Postage Stamp methodology to make it a reasonable and fair approach to allocate costs based on actual usage of the system.</p>  |
| <p><b>0678B</b></p> <p>The proposed NTS Optional Charge in 0678B appears to be a sensible attempt to correct the problems identified with the CWD approach under 0678 by incorporating a further adjustment based on the straight line distance between entry and exit points. This approach would increase the cost reflectivity of the CWD methodology and has additional benefits of simplicity and transparency. It would also provide stability and certainty for market participants as the available charges would be most similar to those on which historic investment decisions were made.</p>  |
| <p><b>0678C</b></p> <p>See comments on Postage Stamp methodology without a shorthaul tariff in relation to 0678A above.</p>   |
| <p><b>0678D</b></p> <p>The inclusion of an NTS Optional Charge in this modification addresses some of our concerns about the CWD methodology by providing a discount to some exit points located close to entry points. The Optional Charge is designed to reflect the costs that a user would incur to construct and maintain a bypass pipeline and is accompanied by a degree of user commitment, ensuring that parties taking advantage of the Optional Charge pay a fair contribution to network costs.</p>   |
| <p><b>0678E</b></p> <p>See comments on CWD methodology without a shorthaul tariff in relation to 0678 above.</p>  |
| <p><b>0678F</b></p> <p>See comments on CWD methodology without a shorthaul tariff in relation to 0678 above.</p>  |
| <p><b>0678G</b></p> <p>See comments in relation to 0678D.</p>   |
| <p><b>0678H</b></p> <p>EPUKI is the proposer of 0678H and considers it to be an improvement on the Postage Stamp methodology proposed in other modifications. This modification retains the benefits of a Postage Stamp approach, including avoiding the weaknesses of the CWD RPM, while addressing the deficiencies of the Postage Stamp model by ensuring that exit points have the option to benefit from an NTS Optional Charge to discourage the construction of bypass pipelines. This increases the efficient utilisation of the NTS and brings benefits to all users of the network. The Optional Charge is designed to reflect the costs that a user would incur to construct and maintain a bypass pipeline and is accompanied by a degree of user commitment, ensuring that parties taking advantage of the Optional Charge pay a fair contribution to network costs.</p> |
| <p><b>0678I</b></p> <p>See comments on CWD methodology without a shorthaul tariff in relation to 0678 above. We do not consider that the proposed Wheeling Charge addresses our concerns about the high charges for exit points located close to (but not in the same location as) entry points under the CWD methodology.</p>  |
| <p><b>0678J</b></p> <p>We consider the benefits of this modification to be similar to 0678H.</p>  |

**Implementation:** *What lead-time do you wish to see prior to implementation and why? Please specify which Modification if you are highlighting any issues.*

All the proposed modifications could lead to a significant change in the prices faced by network users compared to today and therefore affect their behaviour and long-term investment decisions. It is important that shippers have sufficient visibility of charging changes to allow them to take future charges into account in the capacity booking and surrender processes ahead of the start of a Gas Year. It is important that any changes are implemented at the start of a Gas Year and sufficient notice is given so that they can be incorporated in contracts and pricing.

EPUKI considers that in general it is preferable to phase the implementation of major changes to gas and electricity charges rather than pursue immediate implementation. However, if this is not possible, we consider that these modifications should be implemented no earlier than 1 October 2020. Although this may represent a delay to compliance with the Tariff Network Code, we consider that this is justified given how long the charging reform process has taken and how close to the start of the 2019/20 Gas Year the Ofgem decision is likely to come following the necessary consultation and Impact Assessment processes.

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

All modifications represent a substantial change to the NTS charging arrangements. EPUKI would therefore need to update its internal analysis and modelling and re-educate staff on the structure of NTS gas charges. Some contracts may also need to be updated to reflect the changed structure of charges (eg. removal of commodity charges).

If no NTS Optional Charge is included in the approved solution, EPUKI could incur cost undertaking design, planning, construction and maintenance of a bypass pipeline.

If the approved modification results in a significant increase in charges for EPUKI's power stations, this could negatively impact the amount of generation from these assets in future and could affect investment decisions, including decisions about the remaining lifetime of the plants.

**Legal Text:** *Are you satisfied that the Legal Text will deliver the intent of the Solutions for each Modification? Please specify which Modification if you are highlighting any issues.*

EPUKI has not undertaken a full review of the legal texts.

**Are there any errors or omissions in this Modification Report that you think should be further considered?** *Include details of any impacts/costs to your organisation that are directly related to this.*

EPUKI has not identified any errors or omissions in the Modification Report.

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

We are disappointed that the UNC0678 process has suffered from a lack of strategic direction and has yet again resulted in a plethora of different proposals. The move to a 'minimum compliance' approach by National Grid Gas has meant that industry parties have had to raise alternatives in order to ensure that serious issues, such as the requirement for an NTS Optional Charge, are considered within the process. It is possible that some combination of the alternatives put forward may be the best solution and Ofgem will therefore need to consider all aspects of the proposals carefully. Given the major impact of these reform proposals on industry parties, it is crucial that Ofgem undertakes a full Impact Assessment before reaching a decision.

Both the Capacity Weighted Distance and Postage Stamp Reference Price Methodologies are flawed in that they remove or dilute locational price signals and cannot be considered more cost-reflective than the current LRMC methodology. Of the two approaches, we consider that a Postage Stamp methodology may be a more appropriate way to allocate costs on a network characterised by spare capacity. This approach would ensure equal competition between parties and avoid some of the weaknesses of the CWD approach identified by Ofgem in its decision on UNC0621, such as high charges for consumers in remote locations.

However, both RPMs would result in perverse outcomes, such as high charges for exit points located close to entry points. This would lead to undue cross-subsidy between users and the substantial increase in charges for some exit and entry points compared to today is likely to result in a greater incentive to bypass the NTS. We therefore consider that an NTS Optional Charge is necessary to mitigate the problems identified with the CWD and Postage Stamp approaches.

The current Optional Commodity Charge has been effective in discouraging bypass of the NTS. Investment decisions have been taken over the last two decades in the expectation that a shorthaul tariff would be in place. If parties had known that shorthaul may not be available in future then they may have elected to construct bypass pipelines at an earlier point in time. These historic decisions would be undermined if shorthaul is removed today.

Some form of NTS Optional Charge must therefore remain part of the charging arrangements going forward. We note that National Grid Gas has initiated a review of the shorthaul charging arrangements and does not wish to pre-empt the outcome of this work. However, we consider that neither the CWD nor Postage Stamp methodology is fit for purpose without an Optional Charge arrangement and we therefore consider that any modification which does not include an Optional Charge at this stage is deficient. EPUKI therefore opposes any modification which does not contain an NTS Optional Charge which is available to all parties.

As the proposer of 0678H, EPUKI has been involved in the design of the NTS Optional Charge proposed in 0678D/G/H/J. This proposal is designed to reflect the costs that a user would incur in building and maintaining a private bypass pipeline between an entry and exit point and updates the concept which has successfully been used in the GB charging arrangements for twenty years and on which historic long-term investment decisions have been made in a way which is compatible with a capacity-based charging regime. We note that Ofgem recognised the benefits of an Optional Charge in its decision letter on UNC0636, stating that 'Customers of the NTS derive benefits from the OCC as it provides an additional source of revenue which would not be available should certain network users decide to construct alternative pipelines'. The NTS Optional Charge methodology applied in 0678D/G/H/J retains these benefits, while ensuring that the charge 'represents an appropriate comparison with the potential construction of a pipeline' which Ofgem also considered important. The updated pipeline cost formula and Annual NTS OCC Fee reflects the cost that users would incur in constructing a pipeline and ensures that shorthaul users make an appropriate contribution to the costs of the NTS, limiting cross-subsidy. This is evidenced by the reduced number of routes which could possibly utilise the NTS Optional Charge under these proposals. In general, EPUKI considers a Postage Stamp approach with this Optional Charge would deliver the most equitable allocation of costs across the network and 0678H is therefore our preferred modification utilising this Optional Charge design.

The NTS Optional Charge proposed under 0678B may also be a suitable methodology for use with the CWD RPM. This methodology corrects for the problems identified with the CWD approach by incorporating a further distance adjustment based on the straight line distance between entry and exit points. This would increase the cost reflectivity of the CWD approach and has additional benefits of simplicity and transparency. It would also provide stability and certainty for market participants as the available charges would be most similar to those on which historic investment decisions were made. While a large number of parties would continue to benefit from the Optional Charge, this level of cross-subsidy may be justified by

the fact that the Optional Charge is correcting for failings in the CWD approach and should be considered an integral part of the charging methodology.

We do not support the NTS Optional Charge proposed under 0678I. We do not consider that the proposed Wheeling Charge addresses concerns about the high charges for exit points located close to entry points under the CWD methodology as it is only available where entry and exit capacity is held in the same location. This effectively applies an arbitrary distance cap to the Optional Charge, limiting its applicability and effectiveness.

## Consultation Questions Requested by the Authority

The Authority has requested that the following questions be considered by Respondents when writing their responses.

| Question Number | Question  |
|-----------------|---|
| 1.              | <p><b>What impact, if any, do you think tariff differentials between existing and new contracts will have on users booking behaviour?</b></p> <p>No EPUKI comment.</p>  |
| 2.              | <p><b>What date should the changes proposed by the modifications become effective and why?</b></p> <p>All the proposed modifications could lead to a significant change in the prices faced by network users compared to today and therefore affect their behaviour and long-term investment decisions. It is important that shippers have sufficient visibility of charging changes to allow them to take future charges into account in the capacity booking and surrender processes ahead of the start of a Gas Year. It is important that any changes are implemented at the start of a Gas Year and sufficient notice given so that they can be incorporated in contracts and pricing.</p> <p>EPUKI considers that in general it is preferable to phase the implementation of major changes to gas and electricity charges rather than pursue immediate implementation. However, if this is not possible, we consider that these modifications should be implemented no earlier than 1 October 2020. Although this may represent a delay to compliance with the Tariff Network Code, we consider that this is justified given how long the charging reform process has taken and how close to the start of the 2019/20 Gas Year the Ofgem decision is likely to come following the necessary consultation and Impact Assessment processes.</p>   |
| 3.              | <p><b>The proposals have different specific capacity discounts for storage sites. What level of storage discount do you consider is appropriate and can you provide clear justification if the discount is greater than 50%</b></p> <p>EPUKI has not formed an opinion on the appropriate level of storage discount. We note that all modifications containing an NTS Optional Charge propose a 50% discount because they are based off the original 0678 and 0678A modifications. There may be a convincing case for a higher level of discount for storage and if Ofgem considers a discount greater than 50% is justified, this may need to be directed as an addition to one of the modifications containing an NTS Optional Charge.</p>  |
| 4.              | <p><b>Can you provide reasons why an NTS Optional Charge is or is not justified? If you consider an NTS Optional Charge is justified, which proposal do you prefer and why is it compliant with TAR NC?</b></p> <p>An NTS Optional Charge is justified in order to discourage bypass of the NTS. We consider that there is a genuine risk of some parties bypassing the NTS if there is no NTS Optional Charge in place. For an offtake using a large volume of gas located close to an entry terminal, the costs of constructing a bypass pipeline may be lower than the NTS charges derived under either the CWD or Postage Stamp methodologies, especially as locational signals are dampened or removed under these approaches.</p> <p>Without an Optional Charge in place, the scale of the increase in charges compared to today for some parties at entry and exit will be extremely large, possibly amounting to many millions of pounds a year. This would lead to a genuine assessment of whether to construct a bypass pipeline. Whether a bypass pipeline is constructed in the absence of an NTS Optional Charge will be a case-specific decision depending on the level of NTS charges, the cost of the bypass, the remaining lifetime of the offtake, and site specific requirements. It should be noted that the Optional Charge formula in 0678D/G/H/J represents the assumed average cost of building a bypass pipeline based on National Grid Gas pipeline costs and the current MNEPOR of the site. However, it may be possible for a private pipeline developer to deliver the project at a lower cost and the presence of a Optional Charge may not completely eliminate the risk of bypass but will help substantially to reduce it.</p> |

|           |   |
|-----------|---|
|           | <p>The decision to construct a bypass pipeline may also not be taken by each offtake in isolation. Where several large offtakes are located close to each other (for example, in an industrial area), these parties could choose to share the costs of a bypass pipeline leading to substantially lower capital and maintenance charges incurred by each party compared to the assumption in the Optional Charge formula. The ability to share pipelines will therefore increase the likelihood of bypass. EPUKI is aware of several CCGT owners that are located in close proximity and are developing proposals for a joint bypass pipeline.</p> <p>As the decision to construct a bypass pipeline will be case specific, it is not possible to assess whether all sites which are likely to benefit from the Optional Charge present a genuine risk of bypass. However, we note that National Grid Gas analysis suggests that under 0678D/G/H/J bypass is likely to be an option for up to 17 or 18 offtakes. The Optional Charge formula under these modifications does not include an arbitrary distance cap but analysis suggests that exit points electing for the Optional Charge would be a maximum distance of circa 30 km from an entry point. This is within the distance over which it would be reasonable to build a private pipeline and is consistent with real onshore private pipeline proposals. For example, a Development Consent Order has been obtained for a 27 km pipeline to connect a new CCGT (Willington C) to the NTS. It therefore appears that bypass could be a genuine risk within this distance.</p> <p>We therefore do not agree with Ofgem's statement in its decision on UNC0621 that 'there is insufficient evidence that parties would by-pass the NTS in the absence of the NOC'. We also note that where building a bypass pipeline is not feasible for any reason in the absence of an NTS Optional Charge, this could have a significant impact on the operation of the affected business. For example, the change in economics for a large CCGT could affect the decision whether to undertake crucial maintenance work and could result in earlier closure of the plant, affecting electricity security of supply in the 2020s.</p> <p>We therefore consider that bypass of the NTS remains a genuine risk and an NTS Optional Charge is necessary to limit the impact that this could have on other network users. We agree with Ofgem's statement in its decision on UNC0636 that 'The OCC should constitute a suitable incentive on an ongoing basis to avoid inefficient by-pass of the NTS. In certain cases, the OCC could result in some redistribution from OCC to non-OCC customers. This may be an efficient outcome, provided that redistribution is at an appropriate level'. We note that the Optional Charge proposals under UNC0678G/H/J would reduce the level of cross-subsidisation between users compared to today and should therefore reduce Ofgem's concerns about the competition implications of this mechanism.</p> <p>As we consider an NTS Optional Charge is a crucial component of charging reform, EPUKI believes that any proposal which does not contain an NTS Optional Charge is incomplete. EPUKI has set out its views on the different Optional Charge proposals in the additional information section above.</p> <p>As the proposer of 0621H, we consider that the design of the NTS Optional Charge under UNC0621D/G/H/J is compliant with TAR NC. EPUKI together with other modification proposers has commissioned Squire Patton Boggs to provide an assessment of the compliance of this Optional Charge proposal with European requirements and this has concluded that the proposal is compliant with TAR NC. The legal opinion is attached to this response.</p> |
| <b>5.</b> | <p><b>Do you consider the proposals to be compliant with relevant legally binding decisions of the European Commission and/or the Agency for the Co-Operation of Energy Regulators?</b></p> <p>EPUKI has not undertaken a complete compliance assessment for all the proposals, but considers 0678H to be compliant with all relevant legally binding decisions.</p>  |
| <b>6.</b> | <p><b>It is proposed that National Grid Gas may review or update the Forecasted Contracted Capacity (FCC) Methodology following consultation with stakeholders, unless Ofgem (upon application by any Shipper or Distribution Network Operator) directs that the change is not made as per its powers under Standard Special Condition A11(18) of National Grid's Licence. Do you believe that this governance framework is fit for purpose? Please provide reasons for your answer.</b></p> <p>No EPUKI comment.</p>   |