

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

Representative:	Nicky White	
Organisation:	npower	
Date of Representation:	8 th May 2019	
Support or oppose implementation? (Please note you will be asked for your reasoning further below)	0678	Comments
	0678A	Support
	0678B	Oppose
	0678C	Support
	0678D	Comments
	0678E	Comments
	0678F	Comments
	0678G	Comments
	0678H	Comments
	0678I	Comments
	0678J	Comments
Expression of Preference (Please note you will be asked for your reasoning further below)	If <i>NEITHER</i> 0678; 0678A; 0678B; 0678C; 0678D; 0678E; 0678F; 0678G; 0678H; 0678I <i>OR</i> 0678J were to be implemented, which <u>ONE</u> Modification would be your preference? 0678C	

**Standard Relevant
Objective:**

0678	
a)	None
b)	None
c)	Positive
d)	
e)	None
f)	None
g)	Positive
0678A	
a)	None
b)	None
c)	Positive
d)	Positive
e)	None
f)	None
g)	Positive
0678B	
a)	None
b)	None
c)	None
d)	Negative
e)	None
f)	None
g)	

**Standard Relevant
Objective
(continued):**

0678C	
a)	None
b)	None
c)	Positive
d)	Positive
e)	None
f)	None
g)	Positive
0678D	
a)	None
b)	None
c)	Positive
d)	
e)	None
f)	None
g)	
0678E	
a)	None
b)	None
c)	Positive
d)	
e)	None
f)	None
g)	

**Standard Relevant
Objective
(continued):**

0678F	
a)	None
b)	None
c)	Positive
d)	
e)	None
f)	None
g)	
0678G	
a)	None
b)	None
c)	Positive
d)	
e)	None
f)	None
g)	
0678H	
a)	None
b)	None
c)	Positive
d)	
e)	None
f)	None
g)	

**Standard Relevant
Objective
(continued):**

0678I	
a)	None
b)	None
c)	Positive
d)	
e)	None
f)	None
g)	Positive
0678J	
a)	None
b)	None
c)	Positive
d)	
e)	None
f)	None
g)	

**Charging
Methodology
Relevant Objective:**

0678	
a)	None
aa)	None
b)	Positive
c)	
d)	None
e)	Positive

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

0678A	
a)	Positive
aa)	None
b)	Positive
c)	Positive
d)	None
e)	Positive

0678B	
a)	None
aa)	None
b)	Positive
c)	
d)	None
e)	Positive

0678C	
a)	Positive
aa)	None
b)	Positive
c)	Positive
d)	None
e)	Positive

0678D	
a)	None
aa)	None
b)	Positive
c)	
d)	None
e)	Positive

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

0678E	
a)	None
aa)	None
b)	Positive
c)	
d)	None
e)	Positive

0678F	
a)	None
aa)	None
b)	Positive
c)	
d)	None
e)	Positive

0678G	
a)	None
aa)	None
b)	Positive
c)	
d)	None
e)	Positive

0678H	
a)	None
aa)	None
b)	Positive
c)	
d)	None
e)	Positive

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

0678I	
a)	None
aa)	None
b)	Positive
c)	
d)	None
e)	Positive
0678J	
a)	None
aa)	None
b)	Positive
c)	
d)	None
e)	Positive

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

0678

Comments

We do not think that CWD is cost reflective. We have concerns that the FCC will need to be forecasted accurately at each entry and exit point or it will distort prices that should be created and any resulting under/over recovery will not be applied fairly.

For Postage stamp as long as the total FCC is close then prices should be easily reproduced and any under / over recovery will be applied in a consistent approach to how the prices were originally created.

For CWD the prices especially at exit points in Scotland do not take into account that the gas will have come from St Fergus. There is definite discrimination.

There is still unwanted volatility in CWD that can be seen by modelling different calculations of FCC and addition and removal of entry & exit points.

We agree with National Grids approach that Mod 670 can best provide a solution to managing the avoidance of inefficient bypass of the NTS. We also welcome that discounts and multipliers can be reviewed and updated via the UNC change process.

0678A

Support:

npower believe that Postage stamp is the best solution for an RPM.

The main arguments against the current Long Run Marginal Cost (LRMC) methodology is due to issues of volatility and unpredictability. Postage stamp is best placed to address these issues. There has been no argument for CWD to show that it is cost reflective – the analysis shows that it creates a range of prices but nothing to support that these prices are the right prices. For gas consumers utilising the distribution networks there is no link between entry and exit, they benefit from the NTS working as a whole, this alongside the fact that the network is not expanding means that we believe that the Postage stamp methodology is right for the reference prices. Currently Entry revenue is collected by more than 75% commodity charges, postage stamp will have a similar distribution of charges if capacity is booked similar to flows

As with 0678. Mod 670 can best manage changes to UNC for avoiding inefficient bypass of the NTS. And that multipliers and discounts can be managed via the UNC change process.

0678B

Oppose

The Optional Capacity charge to replace the current Optional Commodity Charge proposed in this solution is not a means to manage the avoidance of inefficient bypass of the NTS. It is our belief that it is discriminatory as it introduces an option that excludes DN exit points. It reduces the effectiveness of the RPM as the pricing will direct an increasing proportion of capacity bookings to utilising the Optional Capacity Charge. .

0678C

Support

As with 0678 A we support this alternative because of its use of the Postage Stamp RPM.

We agree that Storage enhances Security of Supply and can dampen the price of so it is beneficial all users of the NTS and as such warrants a 80% discount and to not be exposed to revenue recovery to ensure that storage facilities are maintained.

0678D

Comments

We not agree with CWD being used as the RPM.

We think that Mod 670 can best provide a solution to managing the avoidance of inefficient bypass of the NTS.

0678E

Comments

We not agree with CWD being used as the RPM.

0678F

Comments

We not agree with CWD being used as the RPM.

0678G

Comments

We not agree with CWD being used as the RPM.

We think that Mod 670 can best provide a solution to managing the avoidance of inefficient bypass of the NTS.

0678H

Comments

We think that Mod 670 can best provide a solution to managing the avoidance of inefficient bypass of the NTS.

0678I

Comments

We not agree with CWD being used as the RPM.

We think that Mod 670 can best provide a solution to managing the avoidance of inefficient bypass of the NTS.

We would like further opportunity to evaluate the discount proposed for the Ireland Security Discount and believe a separate UNC change would be the best approach.

0678J

Comments

We think that Mod 670 can best provide a solution to managing the avoidance of inefficient bypass of the NTS.

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

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

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.*

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.*

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

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.	What impact, if any, do you think tariff differentials between existing and new contracts will have on users booking behaviour?
2.	What date should the changes proposed by the modifications become effective and why?
3.	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%
4.	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?
5.	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?
6.	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.