

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:	Smitha Coughlan																							
Organisation:	Wales & West Utilities Ltd																							
Date of Representation:	8th May 2019																							
Support or oppose implementation? (Please note you will be asked for your reasoning further below)	<table border="1"> <tr><td>0678</td><td>Qualified Support</td></tr> <tr><td>0678A</td><td>Qualified Support</td></tr> <tr><td>0678B</td><td>Oppose</td></tr> <tr><td>0678C</td><td>Oppose</td></tr> <tr><td>0678D</td><td>Oppose</td></tr> <tr><td>0678E</td><td>Oppose</td></tr> <tr><td>0678F</td><td>Oppose</td></tr> <tr><td>0678G</td><td>Oppose</td></tr> <tr><td>0678H</td><td>Oppose</td></tr> <tr><td>0678I</td><td>Oppose</td></tr> <tr><td>0678J</td><td>Oppose</td></tr> </table>		0678	Qualified Support	0678A	Qualified Support	0678B	Oppose	0678C	Oppose	0678D	Oppose	0678E	Oppose	0678F	Oppose	0678G	Oppose	0678H	Oppose	0678I	Oppose	0678J	Oppose
0678	Qualified Support																							
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0678I	Oppose																							
0678J	Oppose																							
Expression of Preference (Please note you will be asked for your reasoning further below)	<p>If <i>either</i> 0678; 0678A; 0678B; 0678C; 0678D; 0678E; 0678F; 0678G; 0678H; 0678I <i>or</i> 0678J were to be implemented, which <i>one</i> Modification would be your preference?</p> <p>0678A. 0678A has less impact on costs that will be paid for by our customers than 0678.</p> <p>This change will result in a significant and material redistribution of NTS charges with potential large impacts for all. These changes could be a large shock for a number of stakeholders where affordability is already a key challenge. This is against a backdrop of significant movements during RIIO GD1 where we have already had to fund significant shortfalls ahead of any subsequent delayed updates to allowances.</p> <p>The timing of the decision on the UNC modifications 678 and alternates by Ofgem; and the requirement for NTS to be compliant by Oct 2019 could cause significant unintended consequences and material winners or losers with no real time for stakeholders to react ahead of this winter. This cannot be allowed to happen.</p> <p>Gas distribution networks cannot fund a significant shortfall in allowances versus NTS cost charges.</p> <p>We have not seen a financial impact assessment for the various parties that have to pay these charges. We recommend either Ofgem or NTS provide this urgently before changes are implemented</p> <p>For the reasons outlined above, a robust impact assessment is required and if material; the impact needs to be either delayed by T + 2 or regulatory allowances to be aligned at the same time to ensure there are no winners or losers and/or unintended consequences of this UNC Modification</p>																							

**Standard Relevant
Objective:**

0678	
a)	Positive
b)	None
c)	Positive
d)	Positive
e)	None
f)	None
g)	positive

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

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

**Standard Relevant
Objective
(continued):**

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

Standard Relevant

**Objective
(continued):**

0678F

- | | |
|----|----------|
| a) | Positive |
| b) | None |
| c) | Positive |
| d) | Positive |
| e) | None |
| f) | None |
| g) | Positive |

0678G

- | | |
|----|----------|
| a) | Positive |
| b) | None |
| c) | Negative |
| d) | Positive |
| e) | None |
| f) | None |
| g) | Positive |

0678H

- | | |
|----|----------|
| a) | Positive |
| b) | None |
| c) | Negative |
| d) | Positive |
| e) | None |
| f) | None |
| g) | Positive |

**Standard Relevant
Objective**

(continued):

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

**Charging
Methodology
Relevant Objective:**

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

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

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

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

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

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

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

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

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

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

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

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

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

Summary

WWU:

- opposes all proposals where the proposer did not provide specific analysis which was sufficient for the calculation of forecast costs (C,D,E,F,G,H,I,J,K)
- opposes all proposals that contain an Optional Charge (B, D, G, H, I and J)
- unless action is taken to address the impacts on GDN NTS Exit Capacity Cost compared to GDN allowances our strong preference would be a later implementation to charges under the new regime rather than the proposed date of October 2019 (except 0678B) which is October 2020
- gives qualified support to MOD 678 and 678A

Notwithstanding our above comments on the Optional Charge, WWU believes that any Optional Charge should be available to GDNs were one to be implemented

0678

WWU gives qualified support to MOD 678

MOD 678 uses a capacity weighted distance basis to allocate revenues. Although this approach retains a locational signal, the CWD model has adverse consequences for exit points close to one entry point but a considerable distance from others that are highly unlikely to feed it.

We agree with the removal of the Optional Charge as it currently does not satisfy the Gas Act requirement to develop an Economic and Efficient system and does not satisfy the charging obligations in the NTS licence that charges reflect the costs incurred by the licensee.

MOD 678 proposes implementation in October 2019. Our preference would be a later transition to the charges. Given that there is likely to be a significant step change in costs, a later transition could enable a change which is better aligned to the resetting of allowances for RIIO GD2.

MOD 678 proposes a storage discount of 50% which is the minimum discount required to the Reserve Price at Storage Connection Points, in order to comply with TAR NC Article 9. Analysis conducted by Waters Wye supports a storage discount of 80%, however based on analysis material provided by Vermillion, when an 80% storage discount is used rather than 50% there is a ~ 1% - 2% increase to all other Users' charges using the NG sensitivity tool for 2019/20 and 2020/21. Therefore, we support the 50% proposal within MOD 678.

0678A

WWU gives qualified support to MOD 678A

This proposes a postage stamp approach to charges in which exit charges are based on capacity irrespective of the distance from the entry points. We agree that this is a better approach to the recovery of network costs than the current approach. It has the benefit of simplicity and WWU has some sympathy with this approach, because at a high level all users benefit from the whole system irrespective of the actual location of their exit point and the marginal cost of moving gas around is small in comparison to other costs. We accept that in some cases, for example Scotland, it is not correct that users benefit from the whole system because Scotland relies on St. Fergus; however, the CWD model makes this assumption as well.

MOD 678A proposes that the National Grid Forecast (excluding Existing Contract capacity) Methodology is referenced in UNC with a review process under the UNC. WWU has some concerns with this as it would mean that changing in the methodology could only occur following an industry review and would limit National Grid's ability to change, in a timely manner, the way it produced forecasts or the outputs of the forecasts.

<p>0678B</p> <p>WWU does not support MOD 678B</p> <p>MOD 678B proposes that implementation be as soon as possible for legal and compliance purposes but that charges arising from the new methodology take effect from 01 October 2020. This would enable better alignment between allowances and costs as it is only six months before charges would be reset for RII0 GD2.</p> <p>MOD 678B proposes that the National Grid Forecast (excluding Existing Contract capacity). Methodology is referenced in UNC. WWU has some concerns about the flexibility and change governance with tying wholly into the UNC, as it may hinder periodic reviews and the changes required to enable these.</p> <p>This proposal continues the Optional Charge which WWU does not agree with and for this reason WWU does not support 0678B.</p>
<p>0678C</p> <p>Specific analysis which was sufficient for the calculation of forecast costs was not provided therefore WWU does not support MOD 678C</p>
<p>0678D</p> <p>Specific analysis which was sufficient for the calculation of forecast costs was not provided therefore WWU does not support MOD 678D.</p> <p>MOD 678D also proposes to continue the Optional Charge, (albeit on the basis of a cost based approach to generate charges which reasonably represent the costs of building and maintaining a private pipeline of equivalent length and size) and for this reason WWU does not offer support to MOD 678D.</p>
<p>0678E</p> <p>Specific analysis which was sufficient for the calculation of forecast costs was not provided therefore WWU does not support MOD 678E.</p>
<p>0678F</p> <p>Specific analysis which was sufficient for the calculation of forecast costs was not provided therefore WWU does not support MOD 678F.</p>
<p>0678G</p> <p>Specific analysis which was sufficient for the calculation of forecast costs was not provided therefore WWU does not support MOD 678G.</p> <p>MOD 678G also proposes to continue the Optional Charge, (albeit on the basis of a cost based approach to generate charges which reasonably represent the costs of building and maintaining a private pipeline of equivalent length and size) and for this reason WWU does not offer support to MOD 678G.</p>
<p>0678H</p> <p>Specific analysis which was sufficient for the calculation of forecast costs was not provided therefore WWU does not support MOD 678H.</p> <p>MOD 678H also proposes to continue the Optional Charge, (albeit on the basis of a cost based approach to generate charges which reasonably represent the costs of building and maintaining a</p>

private pipeline of equivalent length and size) and for this reason WWU does not offer support to MOD 678H.

0678I

Specific analysis which was sufficient for the calculation of forecast costs was not provided therefore WWU does not support MOD 678I.

0678J

Specific analysis which was sufficient for the calculation of forecast costs was not provided therefore WWU does not support MOD 678J.

MOD 678J also proposes to continue the Optional Charge, (albeit on the basis of a cost based approach to generate charges which reasonably represent the costs of building and maintaining a private pipeline of equivalent length and size) and for this reason WWU does not offer support to MOD 678J.

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

MOD 678 proposes implementation in October 2019. Our strong preference would be a later transition to the charges. Given that there is likely to be a significant step change in costs, a later transition could enable a change which is better aligned to the resetting of allowances for RIIO GD2. Implementation in October 2019 would have significant adverse cash flow impacts on WWU.

MOD 678B proposes that implementation be as soon as possible for legal and compliance purposes but that charges arising from the new methodology take effect from 01 October 2020. This would enable better alignment between allowances and costs as this is only six months before charges would be reset for RIIO GD2.

A robust impact assessment is required and if material; the impact needs to be either delayed by T + 2 or regulatory allowances to be aligned at the same time to ensure there are no winners or losers and/or unintended consequences of implementing one of these proposals.

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

Currently GDNs pay NTS exit capacity charges and shippers on GDN networks pay NTS exit commodity charges. GDNs recover NTS exit capacity charges from Shippers. Under MOD 678 and its alternatives, there will be a change in methodology from the current Long Run Marginal Cost (LRMC) to Commodity Weighted Distance (CWD) and NTS commodity charges to shippers will cease. All NTS exit revenue from customers on GDN networks will therefore be recovered by means of NTS exit capacity charges to GDNs, who will in turn recover this from their charges to Shippers by means of capacity charges. GDNs are allowed to collect NTS exit capacity revenue up to the value allowed in their licence. These were set at the start of the GD1 price control period which runs from April 2013 to March 2021. These allowances were based on forecasts available at the time which were based on the LRMC methodology. Where the actual costs are different from the allowances the GDNs can recover the difference but with a two year lag. Therefore, if NTS exit capacity charges changed in October 2019 and GDNs under recovered due to the allowance being less than the actual charges they cannot recover this under-recovery until April 2022. GDNs have a process in their licence whereby they can apply for a derogation to change the allowance but this has to be applied for no less than 21 months in advance.

As this change impacts all networks and external parties no individual party or network should gain or lose as a result of timing. The allowed revenues of gas distribution networks must be changed to reflect any cost change this October. If this does not happen there may be significant unintended consequences and market distortions may arise. Given the size of the changes in charges to GDNs it is clear that there is likely to be a significant cash flow impact on GDNs unless Ofgem adjusts the NTS Exit Capacity allowance for the remainder of the GD1 price control period. Assuming Shippers on GDN networks pass on the reduction in their costs resulting from them no longer paying NTS commodity charges then customers will see a reduction in transportation charges until GDNs start to recover the under recovery. Directly connected NTS customers will pay the new charges immediately. This means that there will be a distortion between charges paid by NTS directly connected customers and those connected to GDN networks.

0678

The impact of MOD 678 in our costs can be seen in the analysis below which shows forecasted NTS exit capacity charges for WWU based on the NTS Transmission Services Model provided by the proposer.

Cost Forecast (£M)	19/20	20/21	21/22	22/23	23/24	24/25
Current regime	25.92	27.73	24.34	28.13	31.94	31.94
MOD 678 CWD	26.65	35.14	37.74	38.44	39.14	39.79
Increase in costs	0.73	7.41	13.4	10.31	7.2	7.85

As can be seen from the above analysis, our costs under MOD 678 are forecast to increase significantly from 20/21 onwards, as compared to the current regime. Due to the two-year lag cost true up mechanism, (whereby any difference between costs and the allowance set in the price control is recovered in two years' time), GDNs would bear these cost increases for two years. This will have a significant negative impact on cash flow and financing arrangements.

0678A

The impact of MOD 678A in our costs can be seen in the analysis below which shows forecasted NTS exit capacity charges for WWU based on the NTS Transmission Services Model provided by National Grid.

Cost Forecast (£M)	19/20	20/21	21/22	22/23	23/24	24/25
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Current regime	25.92	27.73	24.34	28.13	31.94	31.94
MOD 678A	24.75	30.46	32.17	32.54	32.92	33.23
Increase in Costs	(1.17)	2.73	7.83	4.41	0.98	1.29

As can be seen from the above analysis, our costs under MOD 678A are forecast to increase from 20/21 onwards, as compared to the current regime, albeit at a lower level than under the MOD 678 CWD methodology. Due to the two-year lag cost true up mechanism, (whereby any difference between costs and the allowance set in the price control is recovered in two years' time), GDNs would bear these cost increases for two years. This may have a significant negative impact on cash flow and financing arrangements.

0678B

The impact of MOD 678B in our costs can be seen in the analysis below which shows forecasted NTS exit capacity charges for WWU based on the NTS Transmission Services Model provided the proposer. N.B. inputs required for the modelling of the impacts of the Optional Charge were provided by the proposer for 19/20 and 20/21 only. In order to forecast costs in further years, WWU input optional charge assumptions consistent with those provided for 20/21.

Cost Forecast (£M)	19/20	20/21	21/22	22/23	23/24	24/25
Current regime	25.92	27.73	24.34	28.13	31.94	31.94
MOD 678B	28.17	38.39	41.21	41.97	42.74	43.45
Increase in Costs	2.25	10.66	16.87	13.84	10.80	11.51

As can be seen from the above analysis, our costs under MOD 678B are forecast to increase from 19/20 onwards. Due to the two-year lag cost true up mechanism, (whereby any difference between costs and the allowance set in the price control is recovered in two years' time), GDNs would bear these cost increases for two years. This will have a significant negative impact on cash flow and financing arrangements.

0678C

A model to enable WWU to carry out cost forecasting, was not provided.

0678D

A model to enable WWU to carry out cost forecasting, was not provided.

0678E

A model to enable WWU to carry out cost forecasting, was not provided.

0678F

A model to enable WWU to carry out cost forecasting, was not provided.

0678G

A model to enable WWU to carry out cost forecasting, was not provided.

0678H

A model to enable WWU to carry out cost forecasting, was not provided.

0678I

A model to enable WWU to carry out cost forecasting, was not provided.

0678J

A model to enable WWU to carry out cost forecasting, was not provided.

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.*

No response.

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.*

0678
No.
0678A
No.
0678B
No.
0678C
The impact of the MOD could not be sufficiently assessed as there was no model available to forecast costs or impact on allowed revenue and customer bills
0678D
The impact of the MOD could not be sufficiently assessed as there was no model available to forecast costs or impact on allowed revenue and customer bills
0678E
The impact of the MOD could not be sufficiently assessed as there was no model available to forecast costs or impact on allowed revenue and customer bills
0678F
The impact of the MOD could not be sufficiently assessed as there was no model available to forecast costs or impact on allowed revenue and customer bills
0678G
The impact of the MOD could not be sufficiently assessed as there was no model available to forecast costs or impact on allowed revenue and customer bills
0678H
The impact of the MOD could not be sufficiently assessed as there was no model available to forecast costs or impact on allowed revenue and customer bills
0678I
The impact of the MOD could not be sufficiently assessed as there was no model available to forecast costs or impact on allowed revenue and customer bills
0678J
The impact of the MOD could not be sufficiently assessed as there was no model available to forecast costs or impact on allowed revenue and customer bills

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

Using available models, WWU has calculated indicative customer bill impacts (using average customers bills across LDZ and Exit Zones). Nominal prices used throughout, analysis assumes that allowances are equal to costs from 2021/22 onwards and that collected revenue is equal to allowed revenue from 2020/21 onwards.

Current regime v 678	2020/21	2021/22	2022/23	2023/24	2024/25
Domestic	£0.00	£3.10	£4.10	£1.60	£1.55
Small school	£0.00	£128.80	£170.57	£66.36	£64.31
Big School	£0.00	£500.45	£662.74	£257.84	£249.87
Hospital	£0.00	£15,567.15	£20,615.36	£8,020.53	£7,772.45
Power Station	£0.00	£1,073,559.6 1	£1,421,700.0 3	£553,120.9 8	£536,012.3 6

Current regime v 678A	2020/21	2021/22	2022/23	2023/24	2024/25
Domestic	£0.00	£2.63	£2.94	£0.22	£0.08
Small school	£0.00	£109.35	£122.43	£9.02	£3.18
Big School	£0.00	£424.86	£475.69	£35.05	£12.35
Hospital	£0.00	£13,215.94	£14,797.12	£1,090.36	£384.08
Power Station	£0.00	£911,412.61	£1,020,455.8 0	£75,194.92	£26,487.09

Current regime v 678B	2020/21	2021/22	2022/23	2023/24	2024/25
Domestic	£0.00	£4.22	£5.68	£2.39	£2.37
Small school	£0.00	£175.70	£236.25	£99.49	£98.42
Big School	£0.00	£682.67	£917.93	£386.56	£382.40
Hospital	£0.00	£21,235.27	£28,553.55	£12,024.65	£11,895.07
Power Station	£0.00	£1,464,450.8 2	£1,969,142.7 7	£829,257.3 1	£820,321.2 9

0678

Please see above

0678A

Please see above

0678B

Please see above

0678C

N/A

0678D

N/A

0678E

N/A

0678F N/A
0678G N/A
0678H N/A
0678I N/A
0678J N/A

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>What impact, if any, do you think tariff differentials between existing and new contracts will have on users booking behaviour?</p> <p>Given the fundamental nature of the changes proposed in the 0678 modifications there is a considerable likelihood that Shipper behaviours will change meaning that NTS forecasts of revenue from different parties could be inaccurate. This may result in NTS charges being materially different from those forecasts. The RIIO-GD2 price controls start in April 2021 and from that date GDN allowances for NTS exit capacity will be fixed. These allowances will be set during 2020 and it is likely that the behavioural changes will still be continue beyond this. For the whole of the RIIOGD2 period GDNs are therefore exposed to the risk that NTS exit capacity charges are materially different from the allowances and we are keen to work with Ofgem to ensure that this risk is more appropriately re-balanced towards the NTS.</p>
2.	<p>What date should the changes proposed by the modifications become effective and why?</p> <p>Our strong preference would be that charges arising from the new methodology take effect from 01 October 2020. This would enable better alignment between allowances and costs as this is only six months before charges would be reset for RIIO GD2. Implementation from 01 October 2019 would have significant cash flow impacts on WWU.</p>
3.	<p>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%</p> <p>MOD 678 proposes a storage discount of 50% which is the minimum discount required to the Reserve Price at Storage Connection Points, in order to comply with TAR NC Article 9. Analysis conducted by Waters Wye supports a storage discount of 80%, however based on analysis material provided by Vermillion, when an 80% storage discount is used rather than 50% there is a ~ 1% - 2% increase to all other user's charges using the NG sensitivity tool for 2019/20 and 2020/21. We support the storage discount of 50%</p>
4.	<p>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?</p> <p>We agree with the removal of the Optional Charge as it currently does not satisfy the Gas Act requirement to develop an Economic and Efficient system and does not satisfy the charging obligations in the NTS licence that charges reflect the costs incurred by the licensee.</p> <p>Notwithstanding the above comments, we note that the proposals that have an optional charge do not allow it to be used by GDNs. WWU regards this as unjustified discrimination. The argument put forward for excluding GDNs from the optional charge and wheeling arrangements in B, G, H and I is that GDN points are excluded as they are not single offtakes, they are part of a combination or collection of offtakes where gas is offtaken for final delivery to the end consumer. The argument is that gas hasn't left the NBP when it enters the GDN network.</p>

	<p>Our view is that reference should be made to relevant System and Total System as defined in TPD A 1.1.1. (see below) rather than to the National Balancing Point which is not a physical point but a commercial simplification.</p> <p>It is true that Gas entering the GDNs does not leave the Total System. However, since the discussion is about the NTS the relevant System is the National Transmission System hence gas entering the GDNs does leave the System to which the charges apply. Clearly gas leaving the NTS leaves the NTS System, this is true whether the gas is offtaken by Shipper or GDNs.</p> <p>The reason for the gas being offtaken from the NTS is not relevant to the applicability of the charge and therefore were an optional charge to exist going forward GDNs should be able to benefit from it. Notwithstanding this it is theoretically possible for a GDN to exist that supplied a single customer albeit it would require a very unlikely set of circumstances to occur. Where this to occur then it would illustrate the fallacy of the argument for not making the charge available to GDNs.</p> <p>Therefore, the argument put forward for excluding DNs from the optional charge and wheeling arrangements in B, G, H and I cannot be supported. The argument may have merit if there was one charging methodology covering the Total System but this is not the case.</p>
5.	<p>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?</p> <p>We are not specialists in Transmission charging compliance and cannot offer a view on this.</p>
6.	<p>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.</p> <p>A balance needs to be struck between giving National Grid the freedom to operate its business and having industry scrutiny. A forecast should be a true reflection of the demand on the network and in principle is not a commercial matter and therefore should not be a matter for the UNC. How the forecast is used to set prices or determine capacity is a commercial matter and should be a matter for the UNC.</p>