

8th May 2019

**Midstream Gas Group
Response to UNC Modification 0678 and its alternatives.**

Thank you for the opportunity to respond to the consultation. This submission is on behalf of the Midstream Gas Group.

Although we do not intend to specify a preference for UNC modification 0678 or any of the alternative modification proposals we would like to take this opportunity to comment on some aspects of the process.

We are concerned that throughout the workgroup process too much emphasis was put on an administrative exercise with respect to compliance with the TAR Network Code, at Ofgem's request, limiting opportunities for a more thorough examination of the proposals and their wider impacts. To this end, we are concerned that the workgroup report does not provide an accurate representation of the merits of each proposal, thereby constraining industry's ability to submit comprehensive consultation responses. We are aware that compliance with the TAR Network Code must be achieved but the merits of each proposal should be assessed not only on this basis but also as part of an assessment against all the relevant licence objectives.

As is often the case, the implementation of EU legislation provides Member States with a degree of flexibility and legal interpretations of the requirements of the EU TAR are at times contradictory (noting the differing legal opinions provided in support of a number of the Mod 678 proposals). We urge Ofgem to apply a pragmatic approach to its decision making while, no doubt at all times being mindful of its principal objective to protect the interests of existing and future consumers.

Implementation date

A 1 October start date for new charges to take effect and sufficient notice of new charges is necessary to enable all market participants to efficiently plan and establish contractual arrangements with their counterparties without undue regulatory risk. In our view, a 1 October 2019 effective date for the new charging regime will be extremely difficult to achieve given the additional governance tasks likely to be undertaken by Ofgem following submission of the Final Workgroup Report, i.e. a Regulatory Impact Assessment and the consultation required by Article 26 of the EU Tariff Code. Transportation charges that are to apply from 1 October 2019 would need to be published by National Grid by 1 August, however, given the magnitude of the likely changes we are of the view that an extended notice period should be accommodated. With that in mind, we would suggest that a 1 October 2020 effective date should be the earliest target date.

At present, relevant parties are already in discussions regarding contracts due to commence from October 2019. There is already a great deal of uncertainty surrounding these discussions regarding future tariffs which is hampering progress and the ability of parties to accurately forecast contract values. We would welcome an early indication from

Ofgem that changes to the tariff regime will not be implemented to take effect from 1 Oct 2019 and further will remain in place for at least a full Gas Year.

Lack of guidance from Ofgem

Throughout the development of these proposals, the Joint Office, proposers and members of the workgroup repeatedly asked Ofgem for guidance to ensure the limited time available for development the proposals and completion of the workgroup report was employed as efficiently as possible. We understand that Ofgem would not wish to “fetter its discretion” but following rejection of Mod 621 and its alternatives and its decision to grant Mod 678 urgent status, we feel that Ofgem was well positioned to provide some leadership during this process. In particular, greater clarity in relation to their view of EU TAR compliance would have been welcomed and allowed for more focus on the other licence objectives and the wider impacts on customers.

Lack of analysis

UNC Panel voted not to recommend implementation of modification 0621 or any of its alternative proposals in July 2018. One of the reasons cited by the UNC Panel was that there was insufficient analysis provided by the UNC621 Working Group, particularly regarding impacts of the charging methodology on behavioural change. The time frame for the development of 0621 was far greater than the time allotted to develop 0678. This has been in part due to the decision by Ofgem to grant Urgent status to UNC modification 0678.

The ability of the proposers to carry out any meaningful analysis on their modifications has been hampered by the relevant data not being made available. An example of this would be the delayed publication of the FCC methodology which limited the time available to the proposers of alternatives to carry out proper analysis.

We are concerned that the workgroup report contains little meaningful impact analysis and as such provides respondents with limited ability to interpret the ramifications of each of the proposals.

Kind regards

Sent via email
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