

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:	John Costa																						
Organisation:	EDF Energy																						
Date of Representation:	8 th 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>Oppose</td></tr> <tr><td>0678A</td><td>Oppose</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>Support</td></tr> <tr><td>0678F</td><td>Comments</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	Oppose	0678A	Oppose	0678B	Oppose	0678C	Oppose	0678D	Oppose	0678E	Support	0678F	Comments	0678G	Oppose	0678H	Oppose	0678I	Oppose	0678J	Oppose
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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 <u>ONE</u> Modification would be your preference?</p> <p>0678E</p> <p>Given the amount of alternatives raised with different options and permutations we believe the priority here to implement this legal binding EU Tariffs code (EU TAR) is that it has to firstly be a) compliant and then b) demonstrate that it has furthered the Licensee's Relevant Objective or at best hasn't worsened any of them such as competition, security of supply etc.</p> <p>UNC678 original is a basic modification that addresses many EU TAR requirements however it is ultimately not compliant with EU TAR as it extends Existing contracts protection beyond that envisaged by Article 35 by not applying a Revenue Recovery charge, as per SSE's QC's legal opinion. Furthermore it proposes that the gas storage discount be set at the minimum default 50% level in EU TAR without a proper assessment of the value gas storage assets convey to the pipeline system and its efficient operation and thus could undermine the contribution of storage. These shortcomings are likely to worsen competition and lead to less gas storage on the system, as per Baringa's Impact Assessment and therefore do not further relevant objective as described below under each modification.</p> <p>Gateway's UNC678e modification is a copy of UNC678 original but addresses these two shortcomings by applying Revenue Recovery to charge to existing contracts and justifies a higher level of discount for gas storage following the impact assessment undertaken by WatersWye. It is therefore compliant with EU TAR code and on balance the most appropriate modification that can be safely implemented in the interest of consumers. In terms of the other aspects of other modifications we've made comments under each as to their appropriateness or not under the relevant objectives.</p> <p>Finally, we believe there should be a Regulatory Impact Assessment undertaken as discussed throughout the workstreams. Given the extent of change and different distributional impacts it will be important to understand these and the various trade-offs between achieving compliance and consumer benefits.</p>																						

**Standard Relevant
Objective:**

0678	
a)	Negative
b)	Neutral
c)	Positive
d)	Negative
e)	Negative
f)	N/a
g)	Positive
0678A	
a)	Negative
b)	Negative
c)	Positive
d)	Negative
e)	N/a
f)	N/a
g)	Negative
0678B	
a)	Negative
b)	Negative
c)	Positive
d)	Negative
e)	N/a
f)	N/a
g)	Negative

**Standard Relevant
Objective
(continued):**

0678C	
a)	Negative
b)	Negative
c)	Positive
d)	Negative
e)	N/a
f)	N/a
g)	Negative
0678D	
a)	Negative
b)	Negative
c)	Positive
d)	Negative
e)	N/a
f)	N/a
g)	Negative
0678E	
a)	Positive
b)	Positive
c)	Positive
d)	Positive
e)	N/a
f)	N/a
g)	Positive

**Standard Relevant
Objective
(continued):**

0678F	
a)	Positive
b)	Neutral
c)	Positive
d)	Negative
e)	N/a
f)	N/a
g)	Negative
0678G	
a)	Negative
b)	Negative
c)	Positive
d)	Negative
e)	N/a
f)	N/a
g)	Negative
0678H	
a)	Negative
b)	Negative
c)	Positive
d)	Negative
e)	N/a
f)	N/a
g)	Negative

**Standard Relevant
Objective
(continued):**

0678I	
a)	Negative
b)	Negative
c)	Positive
d)	Negative
e)	N/a
f)	N/a
g)	Negative
0678J	
a)	Negative
b)	Negative
c)	Positive
d)	Negative
e)	N/a
f)	N/a
g)	Negative

**Charging
Methodology
Relevant Objective:**

0678	
a)	Negative
aa)	Negative
b)	Negative
c)	Negative
d)	N/a
e)	Positive

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

0678A	
a)	Negative
aa)	Negative
b)	Negative
c)	Negative
d)	N/a
e)	Negative

0678B	
a)	Negative
aa)	Negative
b)	Negative
c)	Negative
d)	N/a
e)	Negative

0678C	
a)	Negative
aa)	Negative
b)	Negative
c)	Negative
d)	N/a
e)	Negative

0678D	
a)	Negative
aa)	Negative
b)	Negative
c)	Negative
d)	N/a
e)	Negative

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

0678E	
a)	Positive
aa)	Positive
b)	Positive
c)	Positive
d)	N/a
e)	Positive

0678F	
a)	Positive
aa)	Negative
b)	Positive
c)	Positive
d)	N/a
e)	Negative

0678G	
a)	Negative
aa)	Negative
b)	Negative
c)	Negative
d)	N/a
e)	Negative

0678H	
a)	Negative
aa)	Negative
b)	Negative
c)	Negative
d)	N/a
e)	Negative

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

0678I	
a)	Negative
aa)	Negative
b)	Negative
c)	Negative
d)	N/a
e)	Negative
0678J	
a)	Positive/Negative/None * delete as appropriate
aa)	Positive/Negative/None * delete as appropriate
b)	Positive/Negative/None * delete as appropriate
c)	Positive/Negative/None * delete as appropriate
d)	Positive/Negative/None * delete as appropriate
e)	Positive/Negative/None * delete as appropriate

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

0678 (Oppose)

As stated, UNC678 original has two important shortcomings which on balance make it non-complaint and worsen, on balance, the Relevant Objectives compared to UNC678e.

Grid's modification proposes that Existing Contracts (those Entry Capacity contracts bought before April 2017 when the EU TAR code came into) are exempt from Revenue Recovery charges. This will exacerbate the price differential between new and existing contract holders whereby new purchasers of Entry Capacity will pick up an overwhelming large proportion of Allowed Revenue £343m in the first year giving existing users an unfair competitive advantage especially given the fact that today they would have picked up TO Commodity charge element had they flowed. This could distort competition as Baringa states and they highlight some solutions to mitigate this distortion such as either applying revenue recovery to both existing and new contracts or just existing but also by changing the Entry/ Exit split towards more cost onto Exit. We believe these proposals have merit and would urge Ofgem to consider their potential in the consumer's interest.

We refer to this extract from Ofgem's GTCR policy view from November 2015¹

Our view is that floating capacity charges should apply to all contracts from the date of implementation, including those taken out under the current regime. We consider this would avoid market distortions between users buying the same entry point capacity for the same period but paying different charges depending upon the date they entered into the their obligation to pay.

For these reasons we do not believe National Grid's modification would further RO d) further competition as it would distort competition between holders of Existing and New Entry capacity leading to higher wholesale prices.

UNC678 proposes the minimum discount rate of 50% in EU TAR Code without any assessment of how cost reflective this is.

GSOG therefore commissioned WatersWye to provide quantitative analysis to more precisely define whether extra costs are justified and what an appropriate cost reflective discount should be. To do this they tested two simple scenarios looking at the cost of transporting gas from all entry points to Chapel and Warburton and then the same scenario but transported via Cheshire storage under a CWD model to see if the costs increased. Their conclusions show that the average increase in unit costs of transporting gas to the relevant offtakes via storage when compared to the costs of transporting gas directly to the same offtakes is 30%. This infers that gas transported via storage is paying disproportionately higher unit transportation cost and the total storage discount should be 80% (as a minimum). The method employed to determine the level of the 80% discount can be found here and also describes the other benefits of gas storage such as security of supply, helping Grid manage system imbalance and volatility in the consumer's interest and minimising network investment. <https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/book/2019-02/WWA%20GSOG%20NTS%20CapacityDiscountsReport270219finaldraftv0%205.pdf>. This is in line with EU TAR that storage should avoid double charging and be rewarded for the

¹

https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/gtcr_confirmation_of_policy_view_and_next_steps.pdf

contribution to system flexibility and security of supply.

GB storage facilities are currently facing overwhelming economic pressures to the extent that many have closed over the last few years (Rough and our own Hole House Farm) and any additional unjustified increases in transmission costs will seriously further undermine the prospects for operating existing or developing new storage capacity in GB. Ofgem identified this issue in their UNC621 decision off the back of Baringa's Impact Analysis which stated

“Our analysis finds that under a number of alternative tariff methodologies, storage facilities may face a significant reduction in revenues, although the effect of changes in gas transmission tariffs is small relative to the potential effects of changes in wider gas market conditions. If operating costs are sufficiently low, storage facilities are likely to remain open under any of the tariff methodology options analysed in this report. However, revenues may be insufficient to justify significant further investment, including refurbishment costs”.

If more storage capacity closes as a result of this fundamental change then this will decrease supply flexibility, decreasing network capability meaning more Linepack and balancing actions which is why we believe a 50% discount will not further RO a) efficient & Economic operation of the NTS and e) security of supply.

Forecast Contracted Capacity (FCC)

The FCC methodology is a critical part of calculating gas Transmission charges as it's the way of spreading Allowed Revenue costs across NTS Users. All UNC678 modifications basically use Grid's FCC methodology and hence why we've covered it off here. National Grid changed their methodology half way through the work group and ended up proposing separate set of criteria for DNOs compared to Shippers. It is not clear if this is unduly discriminatory but the main issue is that the DNs have different booking obligations and incentives to book peak capacity all year round which means they, and therefore consumers, could end up picking up a larger share of Allowed Revenue than justified. We've calculated that DNs book 2.5 times the amount of Exit capacity/ flows they actually need while other NTS Offtakers optimise more precisely their bookings close to 1.6 times on average – see table 1 below. While this figure is likely to come down as the incentives now to optimise bookings will be higher we believe the current FCC methodology if implemented will need to be improved so that there is a more balanced, simple and effective FCC methodology in the interest of consumers.

Table 1

	% cap booked over flows	flow as a share of firm Cap.	% of historical flows
CCGTs	125%	80%	22%
DNs	247%	41%	54%
Industrials	166%	60%	4%
Storage	189%	53%	11%
Ips	143%	70%	9%

0678A (Oppose)

For the same reasons stated above, but here we review the merits of postage stamp as raised by RWE.

It is not clear whether CWD or postage produce cost reflective charges, certainly compared to

LRMC. However we believe on balance Postage stamp is less cost reflective as it just smears cost on a uniform basis regardless of distance or share of capacity held compared to CWD which still retains a distance and thus a locational element based on a User's share of capacity given that transportation costs are sensitive to both the distance gas needs to travel and the capacity needed to transport the gas.

Postage stamp should only be used at the extreme where it can be demonstrated that it would minimise a significant distortion in competition for example as Frontier Economic's study that Energy UK commissioned under UNC621.

There has been no evidence presented during workstream discussions that shows that competition would be so adversely affected by employing CWD that Postage Stamp is needed. We recognise that competition issues arise as a result of the further protection of Existing Customers from Revenue Recovery charges however this is likely to be at peak when extra Entry Capacity might be needed, plus the fact that this issue decreases as the contracts diminish. It therefore does not warrant any further fundamental reform that would take GB gas charging to postage stamp but in any case, if this is a significant issue then the solutions to address these competition issues are listed in section 5 of Baringa's recent Impact Assessment which include extending the Recovery to existing as well as new Entry Capacity contracts or modifying the entry Exit split more onto Exit.

Further we believe the NTS will continue to be designed on a locational basis especially considering the amount of new Gas-fired generation that is being planned and that have requested extra capacity under PARCAs (Planning and Advance Reservation of Capacity Agreement). Given there is still a strong locational signal in Electricity charging arrangements a locational element is gas transportation charges would also need to be present to ensure the most efficient locations are being chosen in the interest of consumers.

As such we believe a CWD model will create more cost reflective charges in the interest of pipeline efficiency, investment and operation furthering RO a) and c).

0678B (Oppose)

For the same reasons as UNC678 original - a 50% discount for storage facilities is not cost reflective as it doesn't reflect or value the benefits of gas storage as stated under UNC678.

Furthermore, the NTS Optional Charge (shorthaul) design proposed has no limitation in the distance for which it can be used and is therefore not only not cost reflective it becomes a completely alternative Reference Price Methodology, something the EU TAR doesn't include or ever envisaged. Any shorthaul charge has to have a point where it becomes uneconomic to build your own pipeline across the country compared to using the NTS. It's also not clear how compliant this Optional Charge is with EU TAR code given it doesn't actually refer to any such optional transportation charge-type discounts thereby not meeting relevant objective g) Compliance with the Regulation.

As it is not a cost reflective charge, it would worsen relevant objectives a) Efficient and economic operation of the pipe-line system, b) Coordinated, efficient and economic operation, c) Efficient discharge of the licensee's obligations, d) further competition, and g) Compliance with the Regulation.

0678C (Oppose)

For the same reasons as stated in UNC678a – a postage stamp methodology is less likely to be cost reflective than CWD which contains location element that ensures more efficient network

investment in the interest of consumers.

Existing contracts and revenue recovery

However, we do agree with SSE's QC legal opinion which states that it would be illegal not to apply a Revenue Recovery charge to Existing contracts. We agree that the level of protection for Existing contracts under Article 26 of EU Tariffs code does not protect against an adjustment to ensure that Allowed Revenue is recovered each year. This is in line with current premise that if you flowed against that Entry Capacity then you would pick up a charge in the form of TO Commodity charge. For this same reason it should not be applied to Storage capacity as per SSE's QC's legal view because under the current regime storage flows are exempt of all Commodity costs, both SO and TO. Further protecting Existing contracts from Revenue Recovery charges, which are likely to be very high in the early years, would be anti-competitive as stated above as it would place undue cost on new purchasers of Entry capacity thereby distorting competition as Baringa states. Baringa identified some solutions to mitigate this distortion by either applying revenue recovery to both existing and new contracts or just existing but also by changing the Entry/ Exit split towards more cost onto Exit. We believe these proposals have merit and would urge Ofgem to consider their potential in the consumer's interest.

0678D (Oppose)

For the same reasons as UNC678b above – storage discounts at 50% do not reflect the true benefits to the system and consumers and the design of shorthaul would lead to inefficient and uneconomic operation of the pipeline system. It's also not clear how compliant this Optional Charge is with EU TAR code given it doesn't actually refer to any such optional transportation charge-type discounts thereby not meeting relevant objective g) Compliance with the Regulation.

0678E (Support)

For the detailed reasons we set out under our critique of UNC678 above, we believe this alternative by Gateway's improves upon Grid's by simply addressing the two shortcomings that make it less reflective of the requirements of EU TAR.

By applying a revenue recovery charge to Existing Contracts UNC678e would further RO g) by being compliant with EU Regulations as per SSE's QC's legal opinion and by having more cost reflective gas storage discount it would further RO a) efficient and economic operation of the pipeline system.

While these are only two improvements out of many moving parts they are significant in ensuring better compliance with EU TAR and cost reflective charging which should lead to better discharge of the licensee's obligations and competition in the interest of consumers.

0678F (comments)

We support Storengy's proposal to a certain extent as it replicates Gateway's UNC678e however unfortunately we cannot agree with the surrender of capacity as a way of getting out of contractual obligations. This could undermine existing contracts and shippers confidence in the regulatory regime if contracts purchased under "buyer beware" are allowed to be annulled

retrospectively with no consequence.

0678G (Oppose)

For the same reasons as UNC678b above – storage discounts at 50% are not cost reflective as proven in WWA’s analysis and the design of shorthaul would lead to inefficient and uneconomic operation of the pipeline system. It’s also not clear how compliant this Optional Charge is with EU TAR code given it doesn’t actually refer to any such optional transportation charge-type discounts thereby not meeting relevant objective g) Compliance with the Regulation.

0678H

For the same reasons as UNC678b above – storage discounts at 50% are not cost reflective as proven in WWA’s analysis and the design of shorthaul would lead to inefficient and uneconomic operation of the pipeline system. It’s also not clear how compliant this Optional Charge is with EU TAR code given it doesn’t actually refer to any such optional transportation charge-type discounts thereby not meeting relevant objective g) Compliance with the Regulation.

0678I

For the same reasons as UNC678b above – storage discounts at 50% are not cost reflective as proven in WWA’s analysis and the design of shorthaul would lead to inefficient and uneconomic operation of the pipeline system.

Finally and more importantly it’s not clear that the Ireland Security discount exists under any part of the EU TAR code. There is a clause in EU TAR which deals with discounts to “end isolated states”...for “the purpose of promoting security of supply” however this was intended for Eastern EU states. It was never envisaged for Ireland that could never be described as an “isolated State.”

It’s therefore not compliant with EU TAR code given it doesn’t actually refer to any such optional transportation charge-type discounts thereby not meeting relevant objective g) Compliance with the Regulation.

0678J

For the same reasons as UNC678b above – storage discounts at 50% are not cost reflective as proven in WWA’s analysis and the design of shorthaul would lead to inefficient and uneconomic operation of the pipeline system. It’s also not clear how compliant this Optional Charge is with EU TAR code given it doesn’t actually refer to any such optional transportation charge-type discounts thereby not meeting relevant objective g) Compliance with the Regulation.

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

As stated below we do not believe this modification could or should be implemented for this October 2019 due to the complications and distortions mentioned above that would materialise from such short notice. The minimum implementation lead time for such fundamental charging modifications is 15 months and as mid-year changes would also cause some distortion we believe the earliest implementation is 1st October 2020.

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

0678

Insert Text Here

0678A

Insert Text Here

0678B

Insert Text Here

0678C

Insert Text Here

0678D

Insert Text Here

0678E

We refer you to the analysis provided in support of 0678E and contained in Annex 3 of the proposal which we note we note wasn't included in the workgroup which failed to make reference to this analysis from Waterswye and Storengy.

The analysis provided in Annex 3 should be read in conjunction with the reports submitted by WWA (for GSOG) and Storengy which in combination provide detailed expositions of the justification for a higher storage discount and its subsequent impacts.

0678F

Insert Text Here

0678G

Insert Text Here

0678H <i>Insert Text Here</i>
0678I <i>Insert Text Here</i>
0678J <i>Insert Text Here</i>

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.

We have not reviewed the detailed legal text.

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

Insert Text Here

0678A

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0678C

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0678E

Analysis was provided in support of 0678E and contained in Annex 3 of the proposal which did not make it into the workgroup report unfortunately.

0678F

Insert Text Here

0678G

Insert Text Here

0678H <i>Insert Text Here</i>
0678I <i>Insert Text Here</i>
0678J <i>Insert Text Here</i>

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

0678

Insert Text Here

0678A

Insert Text Here

0678B

Insert Text Here

0678C

Insert Text Here

0678D

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0678E

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0678F

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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>As stated above in our critique of UNC678 original the extra protection conveyed to Existing contracts, on top of their original price paid protection, will add significant cost to new Entry Capacity users. The impact of this on wholesale gas prices and thus consumers is evident as per Baringa's Impact assessment. https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/book/2019-04/Tariff%20differentials%20between%20new%20and%20existing%20contracts%20-%20Baringa%20report...pdf</p>
2.	<p>What date should the changes proposed by the modifications become effective and why?</p> <p>Given the fundamental reform of Gas Transmission charges these changes cannot be implemented for October 2019 in any shape or form or before a lead time of at least 15 months. Apart from this being consistent with the lead times for major charging reform in electricity it will allow the industry and retail price contracts (some of which are fixed 12 to 24 months out) to align themselves with these new charges. Gas suppliers will not be paying Commodity charges given these will now be picked up by DNOs in the form of capacity charges which they can only invoice suppliers for 2 years down the line due to the way their price control is structured.</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>As stated above, 50% does not reflect the benefits that storage add to system balancing, network investment and security of supply as stated in WatersWye's and Storengy's analysis. There is a strong relationship between physical operation of storage assets and the NTS – the strong correlation between gas demand and storage injections/ withdrawals is evident which leads to less balancing and Linepack actions on behalf the system operator. Many storage facilities have closed in recent years including our own Hole House farm due to the inability to cover costs and newer facilities are finding it hard to cover operating costs as it is and any extra cost will simply lead to more closures as per Baringa's December 2018 impact assessment.</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 believe some form of cost-reflective discount to avoid inefficient by-pass of the NTS is justified however none of the UNC678 proposals on the table do this. It's also not clear that such a discount is compliant with EU TAR code as not specifically mentioned. Any such discount would have to be precisely designed to reflect the exact costs of building an alternative pipeline to prevent NTS defection which would then lead to more costs to</p>

	consumers from the remaining flows.
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>Grid's original modification would have been compliant were it not for the fact that it extended the level of protection for Existing Contracts by disapplying the Revenue Recovery charge (RRC), which is illegal as per SSE's QC opinion.</p> <p>UNC678e's alternative is like Grid's but corrects this issue by applying RRC to Existing Contracts and when coupled with the fact that it's 80% discount is better reflects the value of storage assets to the transmission system as EU TAR requires ("must avoid double charging and reflect contribution to system flexibility and security of supply") we believe it is fully compliant compared to UNC678 original.</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>We believe it would be better governance if the FCC methodology would sit in the code as then anyone wishing to change it could raise a modification which would follow established governance arrangements, but this is only to the extent that the governance arrangements are effective and actually work in the interest of consumers.</p>