

Representation - Modification UNC 0727 (Urgent)

Increasing the Storage Transmission Capacity Charge Discount to 80%

Responses invited by: **5pm on 26 June 2020**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Gerry Hoggan
Organisation:	Scottish Power
Date of Representation:	26 June 2020
Support or oppose implementation?	Support
Relevant Objectives:	<ul style="list-style-type: none"> a) Positive b) Positive d) Positive e) Positive

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

This proposal more accurately reflects the true value of gas storage. Within Article 9(1) of the EU Tariff Network Code (TAR) there is a requirement to apply a minimum discount of at least 50% to storage. The rationale for that level of discount is simply to avoid double charging whereas we believe that the 80% discount proposed in this Modification better represents the additional wider benefits that storage provides, such as price stability at times of system stress, flexibility in system management and security of supply. To that extent we support and endorse the findings brought out in the reports by Waters Wye Associates dated 26 February 2019 and by the Gas Storage Operators Group dated 27 March 2019 and referenced within the Modification Proposal.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

Implementation should take effect from 1st October 2020 to align with implementation of the new Transmission Charging Methodology.

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

None

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

We are satisfied with the legal text provided as it is merely the alteration of the level of applicable discount, although we have not conducted a full legal review.

Respondents are requested to provide views on the following points:

Q1: Respondents are requested to provide a view as to whether the solution provided within the Modification is fully compliant with the relevant legislation (including, but not limited to, Articles 28-32 of the Tariff Network Code).

Article 28: Consultation on discounts, multipliers and seasonal factors.

This requires a consultation to be conducted in respect of discounts set out in Articles 9(2) and 16 which relate specifically to LNG facilities and Interruptible Capacity so should not impact this Proposal

Article 29: Information to be published before the annual yearly capacity auction

Article 30: Information to be published before the tariff period

Article 31: Form of publication

Article 32: Publication Notice Period

As regards Articles 29-32, if a timeous decision is reached then the necessary information should be able to published, with the requisite notice periods, prior to implementation and so should otherwise be compliant.

In essence this proposal would only be modifying the discount to be applied to the specific storage capacity product to a level which is itself compliant with TAR.

Q2: Respondents are requested to provide views on the proposed implementation date.

The proposed implementation date of 1 October 2020 aligns with the implementation of Modification 0678A and the application of the new charging regime and Transmission Charging Methodology.

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

None that we are aware of.

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

Within the previous minded to decision (23rd December 2019) on Mods 0678 and its Alternatives, Ofgem indicated that it saw “some merit” in a number of the arguments advanced to justify an enhanced discount of 80% rather than the minimum 50% discount proposed. Moreover, the CEPA report referenced in Ofgem’s decision also identified that increasing the discount from 50% to 80% had only a minimal impact on overall charges or consumer bills, yet still preserved the other benefits from Gas Storage which may otherwise be jeopardised.