

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:	Will Webster
Organisation:	OGUK
Date of Representation:	26 June 2020
Support or oppose implementation?	Comments
Relevant Objectives:	<p>a) Positive</p> <p>b) None</p> <p>d) None</p> <p>e) Positive</p>

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

Oil and Gas UK generally does not favour modifications or alternates that go beyond the minimum discounts required by the TAR code unless a clear case can be made on a cost-reflectivity basis. As a general principle, all sources of gas should face the same charging structure, and sources of flexibility, including storage, should face the same set of incentives from the combination of transmission charges and the wholesale and balancing market rules.

At the same time, the evidence provided in support of an 80% discount on cost reflectivity grounds was provided as part of the 0621 and 0678 process. And it is noted that, as part of its 'minded-to' decision document, Ofgem agreed that there was merit in the arguments made as part of the UNC Modification Proposals 0678C/E/F such that a discount level greater than 50% should apply for embedded Storage Facilities.

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

If approved, the modification should be implemented in line with 0678A, that is October 2020.

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

Discounts made available to National Grid customers on a selective basis have to be paid for by other users of the system. This has a knock-on effect on their investment and operational decisions so such decision should never be looked at in isolation. In particular, OGUK considers that a generalised view of the benefits of UK located storage based on a partial analysis of the impacts is not a strong justification for the proposed discount.

In this case, however, evidence has been provided on cost reflectivity and the impact on the remaining market participants is relatively small.

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

n.a.

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).

The proposed change appears to be consistent with the Tariff network code although it is noted that this will be modified by the Schedule 5 of the Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations 2019 on the expiry of the current transition period, currently expected at the end of 2020.

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

October 2020

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.*

NA

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

NA