

Representation - Draft Modification Report UNC 0729

Applying a discount to the Revenue Recovery Charge at Storage Points

Responses invited by: **5pm on 11 September 2020**

To: enquiries@gasgovernance.co.uk

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

Representative:	Colin Williams
Organisation:	National Grid
Date of Representation:	11 September 2020
Support or oppose implementation?	Comments
Relevant Objective:	<p>a) None</p> <p>b) None</p> <p>d) None</p> <p>e) None</p> <p>g) None</p>
Relevant Charging Methodology Objectives	<p>a) None</p> <p>b) None</p> <p>c) None</p> <p>e) None</p>

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

National Grid NTS "National Grid" offers Comments for this proposal.

For Relevant Objectives (a), (b), (d), (e) and Relevant Charging Objectives (a), (b), (c):

- We note that the Transmission Services Revenue Recovery charges (TSRRCs) have yet to come into effect and as published on 31 July 2020, are set to zero from 1 October 2020.
- TSRRCs can change within the year, however there is no indication of what these may be in order to offer a more informed impact on all Users. Therefore, in terms

of assessing the materiality of this proposed change we note it is subjective without understanding the scale of any TSRRCs.

- Overall the cost of National Grid NTS does not change nor does the total revenue required to be collected via Transmission Services charges. Any discount will result in charges increasing for those not availing of such discount meaning the amount charged out in total to NTS Customers is unchanged.
- The levels of TSRRCs can have the potential to fluctuate. They are introduced under the new charging regime implemented under Modification 0678A from 01 October 2020 and therefore the levels have no history to review. As of 01 October 2020, they are set to zero however can be updated with the appropriate notice period, to manage revenue recovery.

For Relevant Objective (g) and Relevant Charging Objective (e):

- Ofgem implemented a TAR NC compliant proposal with UNC0678A as per their decision which did not include this discount to Revenue Recovery charges. Article 9(i) of TAR NC says “A discount of at least 50 % shall be applied to capacity-based transmission tariffs at entry points from and exit points to storage facilities....”. Reviewing the TAR NC implementation document for Article 3 (Definitions) it says “Reserve prices are set on the basis of reference prices. Such reserve prices are the capacity-based transmission tariffs for standard capacity products established by Article 9...”
- Therefore, we do not believe it furthers these objectives as the Capacity-based transmission tariffs are the reserve prices and not any others and TAR NC does not require discounts to charges beyond the capacity reserve prices.

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

Implementation will not be able to take effect concurrent with the introduction of the revised Methodology (i.e. 0678A for 1 October 2020) due to the lead time within the Rough Order of Magnitude (ROM) provided by Xoserve, which states that the system development would be around 13 weeks.

National Grid can implement after the system development is complete on the first day of any subsequent month.

Decision on the implementation date of the Modification will need to be given with enough time to produce the charges within the required notice periods.

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

Costs of the systems development which are provided in the ROM from Xoserve.

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

National Grid is satisfied that the legal text it has provided will deliver the intent of the solution.

Modification Panel Members have requested that the following questions are addressed:

Q1. Respondents are requested to provide a view as to whether Article 9(1) TAR NC requires that a discount must be applied to the capacity reserve prices only or whether the discount must also be applied to the Transmission Services Revenue Recovery Charges (see section 'EU Code Impacts' of the Workgroup Report).

Ofgem implemented a TAR NC compliant proposal with UNC0678A as per their decision which did not include this discount to Revenue Recovery charges. Article 9(i) of TAR NC says "A discount of at least 50 % shall be applied to capacity-based transmission tariffs at entry points from and exit points to storage facilities....". Reviewing the TAR NC implementation document for Article 3 (Definitions) it says "Reserve prices are set on the basis of reference prices. Such reserve prices are the capacity-based transmission tariffs for standard capacity products established by Article 9..." one reading of this it would seem the Capacity-based transmission tariffs are the reserve prices and not any others. As such it could be considered that this does not further compliance as this is not a requirement of TAR NC to discount charges beyond the capacity reserve prices.

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

Implementation will not be able to take effect concurrent with the introduction of the revised Methodology (i.e. 0678A for 1 October 2020) due to the lead time within the Rough Order of Magnitude (ROM) provided by Xoserve, which states that the system development would be around 13 weeks.

National Grid can implement after the system development is complete on the first day of any subsequent month.

Decision on the implementation date of the Modification will need to be given with enough time to produce the charges within the applicable notice periods.

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

National Grid has not identified any such errors or omissions.

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

Under Modification 0678A approved by Ofgem it provides a discount for Storage for Entry and Exit Transmission Services Capacity Reserve prices. It also implemented a single Transmission Services Revenue Recovery Charges (TSRRC) methodology, so all parties pay the same price for TSRRCs (noting the exception for Existing Available Capacity Holdings) considering it appropriate that "all users should contribute to the cost recovery

of the NTS, without undue discrimination” (4.58 on p.48 from Ofgem minded to document¹ on 0678/A/B/C/D/E/F/G/H/I/J). Any discount will result in charges increasing for those not availing of such discount meaning the amount charged out in total to NTS Customers is unchanged.

Overall the cost of National Grid NTS does not change nor does the total revenue required to be collected via Transmission Services charges. Any discount will result in charges increasing for those not availing of such discount meaning the amount charged out in total to NTS Customers is unchanged.

The levels of TSRRCs can have the potential to fluctuate. They are introduced under the new charging regime implemented under Modification 0678A from 01 October 2020 and therefore the levels have no history to review. As of 01 October 2020, they are set to zero however can be updated with the appropriate notice period, to manage revenue recovery.

It should be noted that the discount this Modification would introduce would apply to the TSRRCs irrespective of polarity (i.e. Applies to positive and negative TSRRCs).

¹ https://www.ofgem.gov.uk/system/files/docs/2019/12/unc678_minded_to_decision.pdf