

Representation - Draft Modification Report UNC 0752

Introduction of Weekly Entry Capacity Auction

Responses invited by: 5pm on 11 May 2021

To: enquiries@gasgovernance.co.uk

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

Representative:	Adam Bates
Organisation:	South Hook Gas Company Ltd.
Date of Representation:	11 May 2021
Support or oppose implementation?	Support
Relevant Objective:	<p>a) Positive</p> <p>d) Positive</p>

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

Following the implementation of UNC Modification 0678A, Shippers are incentivised to book capacity as efficiently as possible to match their gas flows (versus previous methodology where zero priced capacity could be purchased, and the commodity charges were only paid on flows if capacity were utilised). Currently the only “short-term” auctions available for Shippers to book capacity are the RMTNTSEC (monthly strip of capacity released at M-1) and the DSEC (daily capacity released at day ahead and within day). This is not necessarily reflective of how gas is traded, especially for flexible assets such as LNG Terminals and Storage. Therefore, if the Shippers’ flows are not rateable across a month, they are required to either book capacity as a monthly strip, which could lead to excess capacity being purchased or wait until the DSEC auctions, which face possible constraints from NGG¹. Any inefficient capacity bookings lead to unnecessary costs for the Shippers purchasing the capacity whilst also restricting the amount of capacity available in future auctions for other Shippers at that entry point. Implementation of UNC Modification 0752 (“Modification”) would provide an additional short-term auction, between the RMTNTSEC and DSEC auction, which would allow Shippers to book capacity that better reflects their predicted flows. This would have a positive impact on the operation of the NTS, as National Grid NTS can better plan and operate the NTS, whilst also improving competition between Shippers by reducing the risk of potential inefficient capacity bookings.

¹ NGG are able to withhold capacity from the DSEC auctions as per Paragraph 73 of the Entry Capacity Release Methodology Statement: <https://www.nationalgrid.com/uk/gastransmission/document/128001/download>. More information around this can be found within Section 3 of the Modification.

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

The Modification should be implemented as soon as reasonably possible and is not required to be implemented at the start of a Gas Year.

The Modification should be subject to self-governance (as proposed) and implementation should be within sixteen business days after a Modification Panel decision to implement.

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

South Hook Gas does not foresee incurring any additional costs resulting from implementation of this Modification.

If this Modification is not implemented, then South Hook Gas believes that the current methodology may lead to inefficient capacity bookings by Shippers, which unnecessarily increases the overall cost of acquiring capacity.

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

Yes

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

Q1. Do you consider this Modification to be suitable for self-governance procedures?

South Hook Gas believes that the Modification meets the self-governance criteria and therefore should follow the self-governance process. The Modification facilitates more choice for Shippers when purchasing capacity and allows for more efficient capacity bookings, thereby having a positive impact on competition. Whilst the Modification does introduce a new capacity product, it does not introduce any new prices or seek to amend the current charging methodology used to calculate prices. As such there is no impact on the existing auctions and is purely supplementary to the current processes.

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.*

No

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

South Hook Gas believes that the Modification is compliant with EU TAR, particularly Article 29, as the Modification has no impact on the calculation or publication of prices for Interconnector Points (as prescribed within Art 29).

Furthermore, as this Modification does not require new prices to be published (other than the new Weekly NTS Entry product prescribed within the Modification), has no impact on

any current charges and has no impact on the Forecasted Contracted Capacity (FCC), South Hook Gas sees no reason why this Modification could not be implemented after National Grid NTS has published the NTS Entry Capacity prices for the current capacity products.