

Representation - Draft Modification Report UNC 0779 0779A

0779 - Introduction of Entry Capacity Assignments 0779A - Introduction of Entry Capacity Assignments with Defined End Date

Responses invited by: **5pm on 11 February 2022**

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 ("SHG")
Date of Representation:	11 February 2022
Support or oppose implementation?	0779 - Support 0779A - Support
Alternate preference:	<i>If either 0779 or 0799A were to be implemented, which would be your preference?</i> 0779A
Relevant Objective:	0779 a) Positive d) Positive 0779A a) Positive d) Positive
Relevant Charging Methodology Objective:	Not Applicable

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

SHG believes 0779A to be the optimal solution as it allows users to assign NTS Entry Capacity for a specified period (whereas under 0779 capacity must be assigned for the full/remaining duration in respect of which it was originally purchased). Therefore, 0779A better reflects how the NTS is currently used, especially for Users supplying gas from flexible assets (such as LNG Terminals, Interconnectors and Storage facilities) where flows from these sources can vary significantly on a short-term basis. Capacity may not be required for the full duration for which the primary capacity was originally purchased

(e.g. quarterly or monthly) and the solution proposed under 0779 does not allow this excess capacity to be assigned efficiently. In addition, SHG is aware of instances at NTS Entry Points where there is minimal (if any) primary capacity available, and trading of secondary capacity is the only route for users to obtain firm NTS capacity at these Entry Points. Whilst this capacity could be transferred to the secondary user (where the liabilities stay with the original purchaser), it would not then be eligible for the Conditional Discount to Avoid Inefficient Bypass of the NTS (or “Shorthaul”). Therefore, as between the mods, SHG’s preference is for 0779A ahead of 0779, as 0779A better reflects how the NTS is used and how capacity is utilised.

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

Implementation should be as soon as possible.

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

SHG does not foresee any additional costs resulting from implementation of this Modification.

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

Yes, although a full legal review has not been conducted.

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

Q1. What are the merits of the alternative Modification 0779A Capacity exclusion aspects?

As discussed above, 0779A allows any capacity to be assigned up to day-ahead of delivery which better reflects how NTS Entry Capacity is utilised. This allows for more efficient capacity assignments than under 0779.

Q2. Do you have any views around redistribution of costs and likelihood of under recovery of costs for National Grid?

SHG does not believe the implementation of 0779 or 0779A would have a significant impact on the redistribution of costs or increase the likelihood of under recovery of costs by National Grid. It is likely to reduce unnecessary primary capacity purchases which would result in more efficient capacity utilisation. Whilst this may reduce the FCC in National Grid’s charging calculation, it would improve the efficient and economic use of primary capacity already purchased.

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.*

N/A

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

N/A