

Representation - Modification UNC 0790 (Urgent)

Introduction of a Transmission Services Entry Flow Charge

Responses invited by: 5pm on 06 December 2021

To: enquiries@gasgovernance.co.uk

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

Representative:	Julie Cox
Organisation:	Energy UK
Date of Representation:	6 December 2021
Support or oppose implementation?	Oppose
Relevant Objective:	<p>d) None</p> <p>g) Negative</p>
Relevant Charging Methodology Objective:	<p>aa) None</p> <p>c) None</p> <p>e) Negative</p>

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

Energy UK does not support this proposal, as it does not seem to be compliant with TAR NC which now sits within EU retained law. We have therefore assessed it as negative for relevant objective (g) and charging objective 9(e).

An approach very similar to this was raised in charging workgroups and in modifications in the past, where the volume and revenue associated with existing contracts was retained in the calculation of reference prices and a revenue recovery charge applied to all capacity to recover the 'missing money' from existing contract prices being lower than new capacity prices.

This approach was rejected and it seems that this proposal faces similar challenges with compliance as below, because it:

- Fails to set capacity based transmission charges to recover allowed revenue (Art 4.3)
- Applies a commodity charge not as an exception but on an ongoing basis (Art 4.3)

- Applies only at non-interconnection points which will inevitably increase any cross subsidy between non-interconnection and interconnection points (Art 4.3 (b) iv)) – notwithstanding Ofgem is required to assess this.
- Fails to set transmission tariffs that ensure transmission services revenue is recovered in a timely manner (Art 17.1 (b))
- Applies a commodity charge to existing contracts which is not allowed (Art 35.1)

Energy UK has not assessed whether other relevant objectives are furthered since historically if a proposal is not compliant it cannot be implemented and any further assessment is not necessary.

If the proposal is deemed to be compliant then it would seem that a more relaxed approach to compliance is being adopted post Brexit, even though the TAR NC framework is now part of UK law. If this is the case then this needs to be explained more explicitly as there may be other aspects of EU code compliance that could be re-visited that may be of benefit to the GB gas market. Some clarity on this would be appropriate otherwise having to fully develop UNC modifications does not seem to be an efficient way of managing market enhancements and testing compliance.

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

Energy UK does not support implementation.

However, if Ofgem wishes to consider approving this proposal we consider an impact assessment will be necessary due to the material nature of the change. An implementation timescale beyond the normal 1 or 2 months' notice of changes to charge should be considered due to the impact on how charges are included in customer tariffs.

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

As a trade association none

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

Legal text has not been reviewed

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

Insert Text Here

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

Energy UK does not agree that this proposal warranted urgent status, it has effectively bypassed governance processes by holding informal workshops (which are not minuted) and then raised as urgent when timescales are becoming tight for implementation for the

start of the next gas year. We hope this abuse of process is not repeated. As a point of principle we think that only on very rare occasions should charging related modifications be urgent, as by their very nature they will have diverse commercial impacts on market participants, which need detailed assessment to properly understand those impacts and avoid the risk of unintended consequences.

Finally, we note that the ROM response¹ suggests that implementation of this proposal may need to be prioritised and that a shorter than 3 month mobilisation timescale may be possible. We would like to better understand these issues and whether there would be any risk to the agreed delivery of UNC modifications that have already been approved. We request that the NTS CMF and Transmission WG is kept fully informed, should the modification be approved.

¹<https://www.gasgovernance.co.uk/sites/default/files/ggf/book/202111/XRN5425%20ROM%20Response%20V2.0.pdf>