

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:	Henk Kreuze
Organisation:	Vermilion Energy Ireland Limited ("Vermilion")
Date of Representation:	3 December 2021
Support or oppose implementation?	Oppose
Relevant Objective:	d) Negative
Relevant Charging Methodology Objective:	aa) Negative c) Negative e) Negative

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

Vermilion is of the opinion that domestically produced natural gas should be treated on a more favourable (or at least equal) basis to imported gas, given the fact that domestically produced natural gas has a lower CO2 footprint than imported natural gas. The MOD results in lower tariffs for new bookings and flows at Interconnection Points (IPs) compared to domestic entry points, as the IPs are exempted from the proposed commodity charge. So the Mod proposal reduces effective competition, resulting in a "Negative" score for Relevant Objective d) and Relevant Charging Methodology Objectives aa) and c).

Furthermore Vermilion is of the opinion that the GB tariff system has already a very large commodity component via the non-transmission charges. Adding another commodity element, as proposed by National Grid, brings the GB tariff system in conflict with the principles laid down in the European Network code on Tariffs (NC-TAR). This is the background for the "Negative" score for Relevant Charging Methodology Objective e).

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

We do not support implementation. Nevertheless, in case Ofgem decides it should be implemented, it should be effective as per 1st October of a calendar year (i.e. at the start

of new Gas Year). This implies that an Ofgem decision should be taken ultimately at the end of the month of May which enables National Grid to publish its new entry tariffs for the upcoming Gas Year (starting 1st October) sufficiently in advance of the annual auction (first Monday in July) on the Prisma platform.

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

Insert Text Here

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

No comments from Vermilion

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.*

This MOD exempts entry flows at Storage Points from this commodity charge. In our opinion entry flows at Storage Points should not be exempted. This is further explained in the next section.

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

Page 11 of the MOD proposal provides the Entry Capacity CAA Comparison Index. In the current regime this is 8.0%, while the proposed regime results in 13.7%. For the commodity charge there is an increase for this Index from 0.0% to 200.0%.

NC-TAR prescribes that in case a CAA Comparison Index is higher than 10%, the national regulatory authority shall provide the justification for such results in its decision. The MOD doesn't provide such a justification. This high figures of 13.7% for capacity and 200% for commodity are additional proof of Vermilion's statement that the proposed MOD is detrimental for effective competition (between domestically produced gas and imported gas via IPs).

On page 13 National Grid argues that rational for exempting storage was to prevent 'multiple payment' as commercial flows at Storage Connection Points may not necessarily result in a physical flow. With the new tariff methodology in place since October 2020 with both entry and exit capacity to be paid in any case, the occasions with commercial flows in two directions at the same time will be vary rare; parties have an incentive to exchange positions (swap) of gas in the storage in return for exchange of gas at the NBP. Cycling gas at storage implies use of the NG transmission system for exit (for injection into storage) and for entry (for withdrawal from storage). In both cases the shipper uses NG transmission system, so it would be fair to have storage users paying the same charges as other users. So there is no need for exempting these users from the commodity charge.