

Representation - Draft Modification Report

UNC 0621; 0621A; 0621B; 0621C; 0621D; 0621E; 0621F; 0621H; 0621J; 0621K*; 0621L

Amendments to Gas Transmission Charging Regime

*** Amendments to Gas Transmission Charging Regime and the treatment of Gas Storage**

Responses invited by: 5pm on 22 June 2018

To: enquiries@gasgovernance.co.uk

Representative:	Scott Keen
Organisation:	Triton Power Ltd
Date of Representation:	20 June 2018
Support or oppose implementation?	0621 - Comments 0621A - Comments 0621B - Comments 0621C - Comments 0621D - Comments 0621E - Comments 0621F - Comments 0621H - Comments 0621J - Comments 0621K - Comments 0621L - Comments
Expression of Preference:	<i>If either 0621; 0621A; 0621B; 0621C; 0621D; 0621E; 0621F; 0621H; 0621J; 0621K or 0621L were to be implemented, which <u>ONE</u> modification would be your preference?</i>

--	--

--	--

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

Triton Power is frustrated at the way Modification proposal 0621 has developed, attracting an unprecedented number of alternatives and making it near impossible for smaller organisations with limited resources to fully appraise all options and accurately assess the impacts. This has been further exacerbated by the errors in the analysis presented by National Grid which were only corrected after the consultation period had begun.

The high number of alternatives demonstrates that no single proposal is effective in meeting all of the relevant objectives. The proposers have generally included the majority of features from the original 0621 however this should not be taken as implicit agreement that those features are the accepted as the best options, but rather it is our opinion that the proposers sought to highlight the features most important to them without wanting to 'muddy the waters' by suggesting changes to all components, and without having had sufficient time to fully develop better solutions. Triton Power suggests Ofgem works with industry participants to highlight the key elements in each of the alternative proposals which better facilitate objectives rather than assess each as a holistic solution independent of each other, else risk choosing a least-worst option rather than the best option for the market and consumers. As such, the format of the response template does not work for Triton Power and instead our response focuses on the elements we believe should be addressed in any changes to charging methodology.

Triton Power questions the obligation of meeting the compliance timescales associated with EU Regulation 2017/460 (TAR NC). As highlighted by the decision on Brexit, we suggest it would be deemed more important by the UK electorate to take additional time to ensure an enduring solution which provides the best outcomes for GB market participants and consumers, rather than rushing through a suboptimal solution to meet EU compliance timescales and in doing so risk inefficient operation and increased costs to consumers. As none of the proposed modifications suitably address all objectives, it is our firm opinion that all the proposals be rejected and sufficient time given to work up more sophisticated solutions.

A key concept which must be included in any new charging methodology is that of shorthaul tariff (Optional Commodity Charge or NTS Optional Charge) which disincentivises the inefficient bypass of the NTS through build of private pipelines. This provides a fair discount to users where a private pipeline is a realistic alternative due to the proximity of the exit point to an entry point. Whilst some of the proposals include this concept, for most it is only for the transitional period whereas this must be part of the Enduring solution. The methodology should ensure that only users where bypass of the NTS is a practical alternative can access the alternative charge, either through limitations on distance or through appropriate distance multipliers. The charge should reflect the cost of building and operating a private pipeline and consider the potential for likeminded users within close geographical proximity to share the costs.

The cost to consumers must be considered in both direct and indirect terms. The power sector, with its high dependency on gas fired generation to provide cost effective security of supply as the industry transitions to low carbon technologies, is particularly affected therefore changes in gas charging methodologies impacts consumers indirectly through elevated electricity bills. The total impact on GB consumers must be calculated so that improvements in one area are not negated or surpassed by increased charges in another. A methodology which moves more of the cost recovery from commodity charges to capacity charges whilst at the same time removing the ability to access short-term capacity and substantially reducing the discount for off-peak capacity has a multi-million pound impact on gas fired power generators; this will increase wholesale electricity prices and result in higher electricity bills for GB consumers.

Triton Power concurs with the findings of a consultant study completed by Frontier Economics, to be presented in the Energy UK response, that the CWD model is less cost reflective than the existing LRMC. This, together with the proposed reallocation of cost recovery from commodity to capacity charging creates the potential for distortions and have a negative impact on competition. This could result in increased costs to consumers of gas and also in other markets such as electricity and manufactured goods.

It is Triton Power's opinion that none of the proposed modifications provide a robust solution for the GB gas market on an enduring basis. Ofgem should extend the timelines and invite new charging methodologies to be created by industry rather than simply tweaking an inherently flawed 0621 proposal. This will likely exceed compliance timescales for EU Regulation 2017/460 (TAR NC) however the effective and fair operation of the GB market providing the best outcome for GB consumers should be the primary and overriding concern.