

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:	Wenche Tobiasson
Organisation:	InterGen
Date of Representation:	22 June 2018
Support or oppose implementation?	0621 - Oppose 0621A - Oppose 0621B – Oppose 0621C - Oppose 0621D - Oppose 0621E - Oppose 0621F - Oppose 0621H - Oppose 0621J - Oppose 0621K - Oppose 0621L - Oppose
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> Our preference is that neither the original proposal nor any of the alternatives is implemented, however, we consider 0621B as the least worst option.

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

We believe that the CWD model is less cost reflective compared to the status quo and that reallocating cost recovery from commodity to capacity will be distortive. As such, it is likely that the original and alternative proposals, if implemented, would have a negative impact on effective competition.

Moreover, we believe that unpredictability and instability will increase if a National Grid forecast for FCC is used, which is proposed in the majority of the options for the enduring period. This has the potential to further the negative impact on competition and increase commercial risk for shippers. This is also true regarding the lack of clarity in the enduring period on the optional commodity charge. The optional charge is an important feature to maintain an efficient operation of the system and its removal may be followed by an increase in costs, ultimately recovered from customers.

We encourage Ofgem to reconsider the process for the development of a new gas transmission charging regime. The experience from 0621 indicates that more time, wider industry engagement, and thorough impact assessment is required before a decision can be made. The fact that the proposals are all rather similar is not because the main features are generally accepted, rather, it is due to time constraints when developing alternative proposals. Lack of consideration of other modification proposals (e.g. 0636 and 0653) is also an indication that the process is not fit for purpose in this instance. We hope that Ofgem prioritise the development of a fair, cost reflective, and effective GB charging method over complying with EU timescales.

As a result, InterGen do not believe that any of the proposals should be implemented but have identified 0621B as the least worst option.

Implementation: *What lead-time do you wish to see prior to implementation and why? Please specify which Modification if you are highlighting any issues.*

Substantial changes, such as these proposed in 0621 and alternatives, are likely to have a significant commercial impact on market participants. For generators, the Capacity Market is becoming increasingly important. The four-year lead time from Capacity Market award to delivery must be considered when implementing changes.

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

It has been challenging to follow the process and development of Modification Proposal 0621 given the number alternative proposals raised, lack of substantial impact assessment, and late changes to backing information. Many of the alternative proposals suggest only minor changes compared to the original 0621 and without sufficient time and information we have been unable to assess and understand the full impact and differences between the proposals. Whilst it was helpful that the individual models were made available on the consultation website, errors uncovered late in the process made it difficult conduct reliable and accurate analysis.

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.*

Lack of consideration to Capacity Market interaction, impact of other active modification proposals, and thorough impact assessment.

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

We encourage the UNC Panel and Ofgem to consider the Frontier Economics report, findings which are outlined and summarised in Energy UK's response to this consultation.