

## Representation Draft Modification Report

### Modification UNC 0730: COVID-19 Capacity Retention Process

1. **Consultation close out date:** 5<sup>th</sup> November 2020
2. **Respond to:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)
3. **Organisation:** Gazprom Energy  
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M15 4RP
4. **Representative:** Steve Mulinganie  
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0799 097 2568 or 0751 799 8178
5. **Date of Representation:** 5<sup>th</sup> November 2020
6. **Do you support or oppose Implementation:**  
We **Support** implementation of the Modification
7. **Please summarise (in 1 paragraph) the key reason(s) for your position:**  
The industry came together almost 7 months ago (14<sup>th</sup> April) in the face of an unprecedented crisis to consider options to help market participants manage the risk arising from the pandemic.

The outcome of these discussions was a suite of modifications (Modifications 0721, 0722, 0723 and 0724) that were intended, as a package of changes, to provide relief to market participants during the pandemic. Of this initial set of modifications those that provided relief from Capacity Charges (Modifications 0721 and 725 which followed the rejection of 0721) were ultimately rejected by Ofgem. Whilst the rejection was disappointing, as Ofgem had participated in those discussions, we noted the points made in the rejection letters and raised this modification with those concerns in mind.

Thus, this modification seeks to strike a balance between retaining a commitment to capacity (50%) whilst also providing a degree of capacity relief (50%) in relation to sites which are forced to close during lockdown periods.

Originally, we proposed that the modification was retrospective in nature to address the delay in delivering a solution to the market as a result of the rejection of the previous modifications. However, it was clear that with the delays in moving the proposals forward and including retrospection in the scope of the modification both increased its complexity and would also materially increase the risk of Ofgem rejecting the proposal. So, in the face of these growing risks we reluctantly removed retrospection charges noting that it reduced the scope of its application.

By linking our proposal to UNC723 (Urgent) - Use of the Isolation Flag to identify sites with abnormal load reduction during COVID-19 period we seek to address concerns over a suitable verification process by using the arrangements already approved by Ofgem as suitable under UNC723. As was highlighted in Ofgem's decision for UNC Modification 0275, maintaining continued demand from large gas customers will prevent underutilisation of the network and so promote its economic and efficient operation.

This modification completes the suite of changes originally developed by the industry and which as a package seeks to provide some relief for market participants in these unprecedented times.

Circumstances have unfortunately arisen that once again highlight the urgent need for the relief this modification provides. In line with the close out window for representations the Government has implemented a second national lockdown which will run from the 5<sup>th</sup> November to the start of December.

If nothing is done, we believe that consumers will continue to exit the market permanently and therefore cease to use the network entirely. Accordingly, Transporters would not recover any charges from these consumers via Shippers, leaving other consumers worse off as Transportation charges would need to be rebalanced/allocated in the longer term i.e. those left would have to pay more. In addition, if more Shippers and Suppliers fail the costs of that failure will also be mutualised against the rest of the market, including via the Supplier of Last Resort (SoLR) process, increasing the commercial pressure on those Shippers and Suppliers remaining.

**8. Are there any new or additional Issues for the Modification Report:**

**No**

**9. Self-Governance Statement Do you agree with the status?**

**No**

#### 10. Relevant Objectives:

*How would implementation of this modification impact the relevant objectives?*

We believe this modification is positive in respect of: - Relevant Objective a) Efficient and economic operation of the pipe-line system, the timely and short-term relief offered by this Modification should help to avoid non-domestic sites permanently disconnecting from the network, which would not be in the interests of the efficient and economic operation of the network, as it may lead to considerable underutilisation of the network in the longer term and Relevant Objective d) Securing of effective competition, as this would improve cost reflectivity of capacity charges by better aligning them with a customer's actual system usage, thereby furthering competition between Shipper and suppliers.

We would note the Workgroup agreed with the two statements above in relation to the standard Relevant Objectives.

#### 11. Impacts & Costs:

*What analysis, development and on-going costs would you face if this modification was implemented?*

We **have not** identified any significant costs associated with this modification

#### 12. Implementation:

*What lead times would you wish to see prior to this modification being implemented, and why?*

We would wish to see this modification implemented **as soon as reasonably practicable**

#### 13. Legal Text:

*Are you satisfied that the legal text will deliver the intent of the modification?*

We have **no** comments on the Legal Text provided.

#### 14. Is there anything further you wish to be taken into account?

*Please provide any additional comments, supporting analysis, or other information that you believe should be taken into account or you wish to emphasise.*

**Yes** - We do not believe that the current Gas Market Governance arrangements are agile enough for dealing with crisis situations such as the ongoing pandemic and would advocate the introduction of a more effective process for managing change in the future. To this end we would advocate the introduction of a concept of a "Significant Code Emergency" which could be declared by the Authority and which would allow all relevant changes to be treated as "Self-Governance" Modifications. This approach would still retain the ability for the Authority to call in any decisions they wished but would also provide the industry with a more agile capability to address changes in a timely fashion should either this pandemic endure or in the event of a similar occurrence in the future. It is also noticeable that the current crisis is far from over with the country heading into another national lockdown