

Joint Office

enquiries@gasgovernance.co.uk

11 January 2021

Dear Sir or Madam,

Re: UNC0730V - COVID-19 Capacity Retention Process

Thank you for the opportunity to provide representation on the above noted Modification Proposal. Please find below Northern Gas Network's (NGN) comments in respect of this change.

NGN opposes this Modification Proposal.

Reason for support/opposition:

Please summarise (in one paragraph) the key reason(s)

This modification proposal looks to introduce capacity retention as a concept into the UNC. This results in capacity being retained, without full charge, and not being released to be available for use by any other Shippers and their consumers. We believe this to be negative against Relevant Objective (d) *Securing of effective competition*

Whilst we would be receiving less revenue for these sites, the cost of maintaining the pipeline would remain the same. This difference, as per our licence, would need to be socialised resulting in a potential price change with any shortfall being funded by the rest of the Shipper community. In view of this we believe it to be negative against not only Relevant Objective (a) *efficient and economic operation of the pipe-line system* but, more specifically, Relevant Charging Methodology Objective (a) *compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business*.

Self-Governance Statement:

We agree that this should Authority Direction due to the fact that this modification is impacting charging and had originally requested urgency.

Implementation:

Should Ofgem approve the modification, it could be implemented once the CDSP have put in place the methods to be able to identify applicable sites, and to be able to process the charge.

Impacts and Costs:

What analysis, development and ongoing costs would you face?

Whilst the modification proposal states that *For the avoidance of doubt, we are not proposing the introduction of a new capacity charge type instead we are proposing the application of a reduction to existing charges where applicable*, the charge would need to be identifiable to transporters so that they can effectively report and monitor capacity and the associated charges.

This proposal would reduce the collected revenue whilst not changing the capacity. As a result, there would be an impact on collected revenue with no change to the allowed revenue, which will result in price changes being needed to account for this.

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As all of the devolved nations have placed their relevant countries into new national lockdowns, there are a large number of sites that now qualify to apply to be isolated under 0723, which would then result in them being eligible to apply for the reduced capacity charge under this 0730V Modification. This was not considered for the assessment that was carried out by Xoserve on the existing sites and the scale is impossible to predict.

Legal Text:

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

We believe the legal text provided would deliver the Solution set out in the modification.

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.

None identified.

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

Should this modification be introduced, there is no guarantee that the savings would filter through the supply chain to benefit the end consumers. It should be noted that there are a number of government schemes currently in place that are targeted at the end consumer. These offer direct financial support (grants etc) for COVID-19 related issues to businesses not only mandated to close, but also businesses where they are permitted to open but there has been an impact to their trading.

Whilst I accept that in theory once a piece of code is implemented, it can therefore be referenced or used by another piece of code, the spirit of 0723U was to provide an immediate avenue of relief of some of the impacts of COVID-19 to industry in relation to Allocation & Settlement without the need for system changes or having impact on capacity charges.

As proposer of 0723U I can confirm that this was therefore drafted in such a way as to avoid requiring CDSP system changes that would delay the implementation. This means that there is currently no way for the CDSP to accurately assess materiality. Should 0730V be implemented, additional sites may apply to be isolated under 0723 to take advantage of the capacity reduction offered in 0730V. This would dramatically increase the materiality of this 0730V proposal, especially in light of the fact that currently all devolved nations have placed their countries into a national lockdown, with uncertainty as to when some or all businesses will no longer be mandated to remain closed.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

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Mobile: 07580 215 743

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