

Representation - Draft Modification Report UNC 0751

Capping price increases for Long-Term Entry Capacity

Responses invited by: 5pm on 11 June 2021

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Stephen Parle
Organisation:	PETRONAS UK
Date of Representation:	11 th June 2021
Support or oppose implementation?	Support
Relevant Objective:	c) Positive d) Positive g) Positive
Relevant Charging Methodology Objective:	c) Positive e) Positive

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

The impact of the implementation of Modification 0678A on Long Term Entry Capacity purchases and decision making has been twofold.

1. Future purchasing of Long Term Entry Capacity.

Future Gas Transportation charges play a significant role in determining the viability of investing in infrastructure projects and in concluding future commercial agreements with suppliers and other stakeholders. A lack of visibility and certainty in relation to those charges and the inability to lock in future pricing acts as an impediment to any decision making and discourages commitment where the purchase of Long Term Entry Capacity is required. With the increases in capacity pricing we have seen since Oct-20 and the introduction of the RRC, it is difficult to envisage any stakeholder being attracted to a long term commitment to purchasing entry capacity at the current time. The lack of sales in recent QSEC auctions bears testament to this.

2. Long Term Entry Capacity Purchased post Apr-17.

A dual pricing system for holders of Long Term Entry Capacity has been created based on nothing more than purchase date being prior or post 5-Apr-17 which was retrospectively applied. In many cases Shippers now find that the costs they face are multiples of those that Shippers at the same entry point to the network may face and that the costs factored into historical commercial agreements and commitments are no longer valid by some distance. The fact that prices of QSEC secured in auctions post Apr-17 could then be subject to such significant change as a result of a subsequent Modification will be of huge concern to any future potential investors.

As a result of this an uneven playing field has been created whereby some Shippers have a huge competitive advantage over others. Again, this discriminatory situation that has been allowed to develop is a discouraging factor with regards investment and future commitment, acts as a barrier to entry for new market participants and could exclude affected Shippers from being able to compete and attract gas supply to the UK market.

This Modification would go some way to addressing both of the above situations.

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

Given the change would apply to Long Term Capacity purchased after 5 Apr-17 there is no reason to delay implementation following approval.

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

No direct additional cost as a result of implementation.

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

Yes

Modification Panel Members have requested that the following questions are addressed:

Q1: Provide views on whether this Modification is suitable for Self-Governance procedures.

It should not be subject to self governance.

Q2: Provide views on whether there are any compliance issues associated with this Modification.

N/A

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.*

N/A

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