

Representation – Draft Modification Report UNC 0860

Clarify impact of exit capacity holdings on offtake rights

Responses invited by: 5pm on 16 August 2024

To: enquiries@gasgovernance.co.uk

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

Representative:	Lauren Jauss
Organisation:	RWE Supply & Trading GmbH
Date of Representation:	26 July 2024
Support or oppose implementation?	Support
Relevant Objective:	d) Positive
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: *Please summarise the key reason(s) for your support or opposition.*

Power generation Users at Connected System Exit Points (CSEPS) are expected to, and typically have, bought capacity largely in short term auctions in order to match their flow requirements. We believe that short term only procurement at CSEPs has also been a consistent assumption made by Ofgem in all their impact assessments since the introduction of the current “postage stamp” arrangements, and we agree it is the most cost efficient approach for electricity consumers.

However, the right of National Gas to withhold obligated exit capacity in short term auctions during pre-Network Gas Supply Emergency (NGSE) Stages, and then the right to reject a User’s Offtake Profile Notice, means that power generation Users, who planned to run their plant, may unexpectedly not have access to short term capacity. They then potentially have a decision to make: to either disregard a potential OPN rejection by National Gas (rejected on the grounds that it exceeds their capacity holding) and continue to offtake gas from the system as per the profile in the rejected OPN, or to change their offtake plans accordingly and effectively be curtailed. We understand that National Gas can withhold capacity and subsequently reject an OPN before they are allowed to communicate with NESO to coordinate gas and electricity systems in an emergency scenario. This is also before power generation Users are afforded protection from electricity system prices as a result of emergency gas curtailment (essential to ensure generators continue to forward hedge). The National Emergency Plan for Downstream Gas & Electricity (NEP) only describes “scale back of off-peak gas” in pre-NGSE Stages and states that power generation demand reduction can only begin to occur from Stage 2 of an NGSE. We believe the UNC is not aligned with the NEP in this regard.

In pre-NGSE Stages, we believe there are conflicting expectations of power generators: they might be expected to deliver power during an electricity system capacity market warning, but may have received an OPN rejection to offtake the gas required to generate that power.

Hence we think the arrangements for CSEP capacity procurement but the right for National Gas to withhold capacity together with the ability to reject an OPN is not consistent with the NEP or with electricity market obligations. That is why we believe that National Gas should not have the right to reject an OPN on the basis that a User has not procured capacity.

Governance Statement: *Please provide your views on the self-governance statement or reasons why Authority Direction should apply.*

As proposer, we believe this is a material change as it impacts National Gas's expectations as to how they will be able to manage User's offtake from the system in pre-NGSE Stages.

Impacts and Costs: *Please provide a view on the impacts and costs you would face.*

Without approval of this modification, power generation Users would continue to consider each year whether to over-buy capacity in longer term auctions to mitigate the risk of not having access to gas on the system in the short term. However, this uncertain procurement behaviour would have no actual system planning or operational benefit, goes against the intent of the capacity arrangements, and increases the probability of National Gas's over- or under-recovery of revenue. Where power generation Users do buy capacity forward, this unnecessary cost (resulting in revenue over-recovery for National Gas) would be passed through to electricity consumers either through the electricity wholesale or capacity markets.

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

Implementation should be immediately on approval.

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

Yes

Panel Questions: *Panel Members have requested that the following questions are addressed.*

None raised

Error or Omissions: *Are there any errors or omissions in this Modification Report that you think should be taken into account? Please include details of any impacts/costs to your organisation that are directly related to this.*

No

Additional analysis: *Please provide below any analysis or information to support your representation.*

None