

## Representation - Draft Modification Report

UNC 0636 0636A 0636B 0636C 0636D

### Updating the parameters for the NTS Optional Commodity Charge

Responses invited by: **5pm on 14 June 2018**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	Scott Keen
<b>Organisation:</b>	Triton Power Limited
<b>Date of Representation:</b>	13/06/2018
<b>Support or oppose implementation?</b>	0636 - Oppose 0636A - Support 0363B - Oppose 0636C – Oppose 0636D - Oppose
<b>Expression of preference:</b>	<i>If either 0636, 0636A, 0636B, 0636C or 0636D were to be implemented, which would be your preference?</i>  0636A
<b>Relevant Objectives:</b>	0636: <b>g)</b> Negative  0636A: <b>g)</b> Negative  0636B: <b>g)</b> Negative  0636C: <b>g)</b> Negative  0636D: <b>g)</b> Negative

**Relevant Charging Methodology Objectives:**

- 0636:  
a) Positive/Negative/None \* *delete as appropriate*  
b) Positive/Negative/None \* *delete as appropriate*  
c) Positive/Negative/None \* *delete as appropriate*  
e) Positive/Negative/None \* *delete as appropriate*
- 0636A:  
a) Positive/Negative/None \* *delete as appropriate*  
b) Positive/Negative/None \* *delete as appropriate*  
c) Positive/Negative/None \* *delete as appropriate*  
e) Positive/Negative/None \* *delete as appropriate*
- 0636B:  
a) Positive/Negative/None \* *delete as appropriate*  
b) Positive/Negative/None \* *delete as appropriate*  
c) Positive/Negative/None \* *delete as appropriate*  
e) Positive/Negative/None \* *delete as appropriate*
- 0636C:  
a) Positive/Negative/None \* *delete as appropriate*  
b) Positive/Negative/None \* *delete as appropriate*  
c) Positive/Negative/None \* *delete as appropriate*  
e) Positive/Negative/None \* *delete as appropriate*
- 0636D:  
a) Positive/Negative/None \* *delete as appropriate*  
b) Positive/Negative/None \* *delete as appropriate*  
c) Positive/Negative/None \* *delete as appropriate*  
e) Positive/Negative/None \* *delete as appropriate*

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

All modification proposals are unsuitable to address compliance with EU Regulations. The proposals either fail to address the TAR code or introduce discrimination between IPs and non-IPs in their attempt to comply. Triton Power concurs with the Aughinish Alumina and Gazprom Marketing & Trading interpretations that any proposed changes to charges should reflect the process set out in the EU Tariff Code Regulation, however, as these mods result in discrimination between OCC Users then they fail on all of the other objectives, in particular cost reflectivity and competition

Triton Power is unable to accurately assess the extent to which the proposed modifications better facilitate the Charging Methodology Objectives due to the lack of analysis contained in the Modification report. An argument can be made that all of the modifications have a negative effect on objectives, and it could also be argued that 0636B & D have a positive impact on charging methodology objectives a & c however for a limited period of time. It is essential that Ofgem carry out full regulatory impact assessment prior to making any decision on proposals so clarity can be provided to the industry. Without this analysis any modification could lead to unintended changes of behaviour which later undermines the decision.

Triton Power supports modification alternative 0636A as the least worst option of a set of modifications which do not comply with EU Regs. 0636A limits the amount of change, and therefore retains a level of regulatory stability, whilst addressing a key concern that users located far from an entry point are accessing OCC which is designed to avoid inefficient bypass of the NTS by users close to an entry point building and operating private pipelines. This concept remains valid and 0636A retains the fair discount to users where a private pipeline is a realistic alternative whilst excluding those users with no economic justification to bypass the NTS.

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

Triton power requires a lead time of 150 days prior to implementation of any changes which have a significant financial impact i.e. 0636 & 0636B-D. Triton Power is a small organisation and accurate financial planning is critical for cash flow management. The proposed date of Oct 18 would adversely affect the current year budgets without sufficient time to put cash flow mitigations in place.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face? Please specify which Modification any issues relate to.*

Only Modification 0636A does not impact on Triton Power assets. Implementation of Mods 0636B & 0636D would have a 7-figure impact on Triton Power's cost base and Mods 0636 & 0636C would have roughly double said impact.

During any periods where Saltend Power Station is the marginal power producer on the UK system, then an increase in cost base would result in an increase to the UK power price. This would certainly be passed on to Triton's direct customer but could also be passed on by suppliers to domestic customers through increased electricity bills.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution? Please specify which Modification any issues relate to.*

A full review of the legal text has not been undertaken.

**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.*

The report is very weak on analysis to back up the multiple assumptions made throughout the document. The current analysis lacks an appreciation of price elasticity of demand therefore is likely to overstate the perceived cost saving to non-OCC users. The report is too generic and additional analysis of a quantitative nature is required to determine the direct variations to costs and associated impacts on specific customer groups, particularly the power sector for Triton Power's interests but also for manufacturing. A full impact assessment should be carried out by Ofgem before any proposals are implemented to fully understand the impacts and changes of behaviour in the market place which could be caused.

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

Ofgem should consider the merits of implementing any change for the short period until further changes likely to be brought in by Mod 0621 (or the various alternatives). Any changes that are implemented should be complimentary to the likely 0621 changes otherwise the impact on the gas market will be heightened by the frequency and magnitude of change and the markets ability to strike deals in what is already perceived as an uncertain and volatile regulatory environment. Triton Power does not believe the proposed 0636 (and alternatives') changes better facilitates objectives and only supports 0636A as a least worst option should Ofgem deem it appropriate to implement any change at all prior to the more substantial changes likely in October 2019 through 0621 and alternatives. Our firm view remains that no change should be made.