

Joint Office
enquiries@gasgovernance.co.uk

9th July 2021

Dear Sir or Madam,

Re: UNC0746 - Application of Clarificatory change to the AQ amendment process within TPD G2.3 from 1st April 2020

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)

There have been challenges raised in the past year as to use of the reason codes for AQ amendments, these have been investigated, and it has been concluded that there was no evidence that a shipper had not acted in good faith throughout the process. Modification 0736 (Clarificatory change to the AQ amendment process within TPD G2.3) has already been approved and implemented to close any perceived gap in code. Therefore, this modification, 0746, would seem to be just introducing a retrospective element to enforce this clarity at an earlier point, causing some shippers, who were technically compliant at the time of use, to now have these changes reversed.

This would look to reverse over a years' worth of AQ, without the shipper having had opportunity in the interim period to carry out other changes or amendments. This would seem to unfairly impact these Shippers and therefore we believe this to be negative against Relevant Objective (d) *Securing of effective competition*.

Additionally, the undoing of over a years' worth of AQ adjustments would have an impact on Transporters revenue which relates to a prior year. This is an unknown value and therefore has unquantified impacts to revenue and therefore pricing. In view of this we believe it to be negative against not only Relevant Charging Objective (c) *That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers;* but also (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 contains a retrospective element.

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 change.

Smell gas?

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Service on 0800 111 999

a 1100 Century Way
Thorpe Park Business Park
Colton, Leeds LS15 8TU

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Impacts and Costs:

What analysis, development and ongoing costs would you face?

A reversal of AQ amendments for a period of over 12 months would have an unquantified impact on revenue. This revenue change would relate to a prior year, and therefore any impact to ourselves would need to be managed in future years pricing. The value of this impact has not been assessed and therefore we are unable to assess the impact. At the moment it is not known whether the net value of these changes would be negative or positive as AQs were both reduced and increased as part of the submissions against the use case.

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.

Panel Questions:

Q1. Do Transporters have a view as to when the additional revenue would flow back to users; would this be within the Formula Year, (FY), it is collected or during the FY following collection
Distribution Networks are only able to amend pricing once a year, this has already taken place for the current year, therefore any adjustment needed to be made to the pricing to take account of any impact resulting from this modification proposal would be made in a future year.

Q2. Reasoning behind 01 April 2020 retrospective date?

Whilst not stated in the modification proposal, we are aware that the proposer has advised at workgroup that this date has been reached after the CDSP carried out some analysis of use of TPD G 2.3.21 (b) , also known as reason code 2, relating to changes to plant. However we do not believe that the change should be retrospective, especially where it impacts more than 1 financial or gas year.

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 a risk that the changes, and impact of these could filter through to the end consumers.

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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Market Services Manager (Industry Codes)
Mobile: 07580 215 743

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