

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

Representative:	Mike Ronan
Organisation:	Aughinish Alumina Limited
Date of Representation:	14 June 2018
Support or oppose implementation?	0636 - Oppose 0636A - Oppose 0636B - Oppose 0636C – Qualified Support 0636D – Qualified Support
Expression of preference:	<i>If either 0636, 0636A, 0636B, 0636C or 0636D were to be implemented, which would be your preference?</i> 0636C or 0636D
Relevant Objectives:	0636: g) Negative 0636A: g) Negative 0636B: g) Negative 0636C: g) Negative 0636D: g) Negative

Relevant Charging Methodology Objectives:	<p>0636: a) Negative b) Negative c) Negative e) Negative</p> <p>0636A: a) Negative b) Negative c) Negative e) Negative</p> <p>0636B: a) Negative b) Negative c) Negative e) Negative</p> <p>0636C: a) Negative b) Negative c) Negative e) Negative</p> <p>0636D: a) Negative b) Negative c) Negative e) Negative</p>
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Reason for support/opposition/preference: Please summarise (in one paragraph) the key reason(s)

0636:

GCD11 foresaw that methodology change to the charging system in order to comply with the EU Regulation TAR would impact the OCC. It concluded that a review and any change to the OCC should take place at a later date with the intention to produce an enduring, compliant solution. Such a process is taking place under Modification UNC 0621 with the recommended solution being subject to a full review by ACER, neighbouring NRAs and other interested parties via consultation (subject to Brexit transitional arrangements being agreed), as prescribed under TAR. This Modification 0636 does not take into account the EU regulation TAR impact on neighbouring NRAs and other affected parties hence why Aughinish Alumina (“Aughinish”) raised alternative 0636C to allow for IPs to be exempt from this modification until 0621 is implemented which will comply with the EU TAR. Note: 0636C is presented in support of 0636 subject to the exemption of IPs, however due to the structure and restrictions of the modification process, Aughinish could only support the original modification (0636) in our alternative modification proposal. Therefore, in our submission response to this Consultation we ask Ofgem to note that if 0636 and its alternatives are not rejected in favour of Mod 0621 (our preferred option), Aughinish could also support 0636D as this also excludes IPs from the changes to the OCC.

0636A

As per our comments for 0636.

0636B

As per our comments for 0636.

0636C

Aughinish proposal to exempt IPs from Mod 0636.

0636D

This alternative exempts IPs hence Aughinish could support 0636D

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

Aughinish believes that if IPs are not excluded then lead time should be as long as possible to allow gas contracts to reflect any proposed changes in the OCC tariff. We believe under this situation no changes should apply before 1st October 2019 and the overlap with modification 0621 should be reflected in any decision Ofgem considers appropriate.

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

If IPs are not excluded from the proposed changes to the OCC tariff then this would adversely impact our contractual arrangements for procuring gas for our alumina plant. The OCC tariff goes back years and ambitions by the proposer to reform it urgently for short-term commercial advantage runs contrary to the basic principle of contract certainty for all participants using the OCC.

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

Yes

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.*

Aughinish are not suitably qualified to comment on possible errors within the report suffice to say that such a significant change to the OCC needs to be considered in conjunction with Modification 0621 (irrespective of IP exemption) due to the EC Tar legislation requirements. This was recognised in GCD11 and subsequently noted by

Ofgem in its Decision on 8 March 2018 to direct NGG to undertake specific tasks to implement Regulation (EU) 2017/460 i.e. TAR NC.

Ofgem also recognised in its decision on 9 May 2018 that this modification does not require “urgent” modification procedures and to avoid duplication with 0621 Aughinish believes that Ofgem should conduct an Impact Assessment on this proposed modification and its alternatives.

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

The OCC tariff goes back years and ambitions by the proposer to reform it urgently for short-term commercial advantage runs contrary to the basic principle of contract certainty for all participants using the OCC. Through 0621, market participants are building together a reformed OCC tariff with detailed analysis taking into account the many concerns of all operating in and around the UK NBP including EU TAR requirements. Importantly the market expects a reformed tariff from October 2019, not earlier. Ofgem recognised this overlap between 0621 and 0636 and requested this to be considered in the 0621 report.

Summing up it seems obvious that 0621 is the proper forum for review of the OCC tariff and neighbouring NRA's and Shippers should have sufficient time to engage in the process thus allowing all participants to have ample notice of any proposed changes and adequate time to prepare.

Aughinish believes 0636 and its alternatives should be rejected and 0621 should be the vehicle for any proposed changes to the OCC.