

Representation - Modification UNC 0725 (Urgent)

Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ) During COVID-19

Responses invited by: 5pm on 13 May 2020

To: enquiries@gasgovernance.co.uk

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

Representative:	Gareth Evans
Organisation:	ICoSS
Date of Representation:	13 May 2020
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive

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

Owing to the Covid-19 pandemic, many large industrial customers have either completely ceased using gas or have significantly reduced their daily consumption. At present therefore many Daily Metered sites have Registered Daily Meter Supply Point Capacity (SOQ) that is far in excess of their current requirements. These customers are currently cross subsidising Non-Daily Metered customers.

We note that UNC modification 0275 was raised during the last economic crisis (the credit crunch), to provide relief to Daily Metered customers from excessive capacity costs. This prior modification, raised by National Grid Distribution (now Cadent), was not opposed by any transporters. The proposer supported the changes in that it would *“enable Users to reduce their capacity bookings at DM Supply Meter Points in line with their LDZ exit capacity requirements.... This should improve the cost reflectivity of the regime within this period. This can be expected to facilitate DNO Licence Standard Special Condition A11.1 (d).“*

In addition Ofgem in its decision letter for UNC Modification 0275 noted that *“With the current capacity booking arrangements, if customers seek to control their capacity charges the only route open to them is to vacate the site or disconnect from the gas network, leaving parts of the pipeline unutilised for a period of time. If this course of action was taken by a significant proportion of DM customers, it would not be in the interests of the efficient and economic operation of the network as it may lead to*

considerable underutilisation of the network in the longer term.” We agree with this statement

We believe that the same conditions exist now, as then. Now, as then, there is a need to reduce the excessive capacity costs of daily metered customers to ensure they are not driven out of the market. This changes builds on this precedent and by doing so improve both cost targeting (brackets relevant objective (d)), and ensuring continued economic and efficient level use of the existing gas networks (relevant objective (a)).

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

To allow the CDSP the maximum time to accommodate any requests from shippers to reduce the SOQ of these sites a decision is required as soon as possible.

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

There use of this new process is voluntary and so we expect no change to member operations unless they choose to utilise it. We expect that the change to transportation charges for the market from this process will be negligible as the number of eligible customers represent only a very small proportion of the market.

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

We have not reviewed the legal text as it has not been made available

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

None.

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

None.