

Representation - Modification UNC 0790 (Urgent)

Introduction of a Transmission Services Entry Flow Charge

Responses invited by: 5pm on 06 December 2021

To: enquiries@gasgovernance.co.uk

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

Representative:	Terry Burke
Organisation:	Equinor
Date of Representation:	6 th December 2021
Support or oppose implementation?	Oppose
Relevant Objective:	d) Negative
Relevant Charging Methodology Objective:	aa) Negative c) Negative

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

Equinor opposes this modification for the following reasons:

- Equinor believes this proposal is not compliant with UK Tariff Network Code in the following areas:
 - The modification is not compliant with Article 4.3(b). This article states that a commodity charge should be levied for the purpose of managing under- and over-recovery. This modification would create an artificial under recovery which is then recovered by a new charge levied across all entry users.
 - The modification is not compliant with (Article 4.3) as it fails to set capacity-based transmission charges to recover allowed revenues but instead would apply as a commodity charge on an ongoing basis out to 2032.
 - The modification is not compliant with (Article 17.1 (b) as it fails to ensure transmission services revenues are recovered in a timely manner which suggests this charge could vary widely from year to year in the future.

- The modification is not compliant with (Article 35.1) as it applies a commodity charge to existing contracts. This has been the subject of extensive discussion over several years and there is a strong consensus across the industry that this is not permitted. This was also supported by Ofgem in its approval letter for 678A.
- The lack of stability and predictability of the Reference Price for Entry Capacity is not caused by Existing Contracts but by National Grid's Forecasted Contracted Capacity methodology (FCC).
 - During the 678 Modification process it was brought up on several occasions that the FCC calculation needed to be reviewed. Unfortunately, due to the compressed timetable of the workgroups this did not happen. The methodology has now been changed but we do not feel enough time has adequately elapsed to measure the impact of the changes on bookings and revenues. This could produce unforeseen consequences in setting tariffs during future years.

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

Equinor does not support implementation of this modification.

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

Equinor cannot answer this question accurately due to the indicative nature of the information provided so far on the cost of future tariffs and the proposed charge.

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

Equinor does not support implementation of the modification.

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

Equinor has outlined our concerns within our response.

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

Equinor disagrees that this proposal should have been awarded urgent status. While we welcome the informal workshops, which were run by National Grid, we are concerned a precedent has been set for future "urgent modifications" and Joint Office should have been formally asked to run the meetings as is currently the case within the UNC. The workshops were not minuted and the modification has bypassed existing governance processes which should not be the case for any modification relating to charging. Going forward Equinor would like to say that charging related modifications should only be granted urgency in extreme circumstances to ensure they go through the appropriate

governance processes and that all parties are given the appropriate time to properly understand the impacts. This will also help avoid the risk of unintended consequences.

Equinor also notes in its urgency decision letter that Ofgem makes the following comment “However, stakeholders should be aware that were modification UNC790 to be approved, implementation in October 2022 may not be possible given the significance of the proposed changes and the need to carry out robust analysis for this modification.”. This would appear to be contradictory in granting urgency in the first place and while we welcome Ofgem taking further analysis in their decision-making process we would also request this also applies in the form of a legal compliance assessment against the concerns raised in our response and in other parties’ responses.