

## 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](mailto:enquiries@gasgovernance.co.uk)

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

<b>Representative:</b>	Pavanjit Dhesi
<b>Organisation:</b>	Interconnector Limited
<b>Date of Representation:</b>	06 December 2021
<b>Support or oppose implementation?</b>	Support
<b>Relevant Objective:</b>	d) Positive
<b>Relevant Charging Methodology Objective:</b>	aa) Positive c) Positive

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

The problems with the current GB NTS charging regime are well recognised by stakeholders. New bookings pay 23 times the price that holders of existing legacy contracts pay which distorts competition and is not sustainable. This modification helps tackle the distortion to competition created by this dual regime. Effective competition between the users of different NTS entry points will be furthered as it increases the contribution of existing contracts to allowed revenue whilst also reducing the price paid by new bookings.

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

In order to provide the market with certainty about GB charges in 2022/23, a timely decision by Ofgem would be appreciated. We understand a decision would be needed by May 2022 in order to be reflected in the charges that National Grid Gas (NGG) publish for the October 2022 gas year.

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

-

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

Yes

**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.*

No

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

This modification helps tackle the distortion to competition created by the dual regime. Effective competition between the users of different NTS entry points will be furthered as it increases the contribution of existing contracts to allowed revenue whilst also reducing the price paid by new bookings. The current situation of new bookings being 23 times the cost of existing legacy entry bookings is not sustainable and impacts entry points like the Bacton IP with relatively few legacy contracts remaining. We also note that the accompanying analysis by Frontier Economics estimates a significant benefit for consumers from this modification, estimated to be £174 – £382m to 2031/32.

We therefore agree with the proposer that this modification furthers Relevant objective d) and Relevant Charging Methodology Objectives (aa) and (C), by improving effective competition. The changes should also improve stability/predictability of the capacity charges.

It is important to continue respecting legacy contracts in order to provide confidence to the market when considering long term commitments. This modification appears consistent with this principle as legacy capacity holders continue to pay the same capacity charges whilst returning to paying a TO entry commodity charge, a flow based charge familiar to the market when those legacy contracts were acquired.

Whilst this modification narrows the dual regime gap, a sizable difference persists. More therefore needs to be done to tackle the distortion to competition. We continue to believe that there should be a review of the 50/50 Entry/Exit split. Interconnector and BBL Company has previously presented to Industry the results of a study by CEPA consultants<sup>1</sup>. This study demonstrated that lowering the allocation of revenue to be collected at entry points relative to exit points will have a positive impact of wholesale prices and result in benefits of over £100m p.a. for GB consumers. Whilst we note NGG have previously committed to undertaking a review in the medium term, we strongly advocate that this review should be expediated.

---

<sup>1</sup> The benefits of a change to the Entry/Exit split (allocating a lower % of allowed revenue collection from Entry) was demonstrated in a study by CEPA [https://www.cepa.co.uk/news-insights/view/IUK\\_BBL\\_Consideration\\_of\\_adjustments\\_to\\_the\\_NTS\\_Charging\\_Regime](https://www.cepa.co.uk/news-insights/view/IUK_BBL_Consideration_of_adjustments_to_the_NTS_Charging_Regime)