

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:	Lauren Jauss
Organisation:	RWE Supply & Trading GmbH
Date of Representation:	6 December 2021
Support or oppose implementation?	Oppose
Relevant Objective:	<p>a) Negative</p> <p>b) Negative</p> <p>d) Negative</p> <p>g) Negative</p>
Relevant Charging Methodology Objective:	<p>aa) Negative</p> <p>c) Negative</p>

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

We oppose the proposal for a number of major reasons outlined below.

Firstly, we are concerned that the proposed arrangements unnecessarily restrict the eligibility for a Conditional Discount for Avoiding Inefficient Bypass of the NTS (shorthaul discount) on the Commodity Charge and is therefore negative against objective a) and b). The unnecessary restriction arises in the scenario where the Entry Capacity has been procured as Secondary Capacity, where it is proposed that the associated Entry Commodity Charge will be ineligible for a shorthaul discount. This proposed arrangement does not adhere to the principles agreed in UNC728B, which is that volumes are eligible where they have been transacted at a known, uniform price that are not transacted via Secondary Transactions. Whilst the Entry Capacity might not qualify because it has been procured on a secondary basis and the price is not known, this is not the case for the associated Commodity Charge. In this scenario, the Commodity Charge meets all the criteria on its own merits and therefore in our view should qualify

for a discount. This proposed distortion will encourage overbooking because it will always be cheaper for some routes to buy additional primary capacity in order to qualify for the discount on both the capacity and commodity charge rather than purchasing secondary capacity (even if it is purchased at zero price) and paying the full commodity charge. If Users cannot access the shorthaul discount due to a technicality in the arrangements then in our view the discount is not working as intended, and inefficient NTS bypass remains a significant risk.

Secondly, the proposal introduces a new market distortion that does not currently exist and will be detrimental to competition, because the proposed arrangements will exempt Interconnection Points from the commodity charge. For this reason we have assessed the proposal as negative against objective d) and negative against charging objectives aa) and c). Given that IPs would be expected to be price setting ASEPs, this distortion is material. Further, we note that in the proposal document, LNG Importation Terminal ASEPs are expected to make a greater contribution to collection of allowed revenue i.e. the (Entry Capacity cost will increase), and since these are also price setting ASEPs, we would expect these costs to be fully passed through to the consumer. Whilst Frontier Economics have acknowledged that the assumptions made in their initial analysis were flawed, their amended analysis in response to stakeholder comments is still overly simplistic and inconclusive in our view.

Thirdly, we do not believe that the proposal is compliant with TAR NC which is a retained element of EU law and therefore have assessed the proposal as negative against objective g).

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

We do not support implementation, and do not agree that this modification should be prioritised ahead of and impact on the delivery of other modifications.

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

We expect to require additional resources to account for and process the commodity charge but these are not yet quantified.

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

We have not reviewed the full legal text due to the complexity and limited time available, but that which we have reviewed appears to deliver the intent of the solution.

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 comment

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

We do not agree with the approach that has been taken to develop this modification because the unofficial workshops that have been held outside of the normal process have resulted in a very limited opportunity for stakeholders to raise alternatives. Since there are no minutes from these workshops, there is no record of the comments, concerns or discussion at these meetings and therefore no opportunity to reference this material.