Representation - Draft Modification Report UNC 0753

Removal of Pricing Disincentives for Secondary Trading of Fixed Price NTS System Entry Capacity

Responses invited by: 5pm on 11 June 2021

To: enquiries@gasgovernance.co.uk

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

Representative:	Alex Nield
Organisation:	Storengy UK Limited
Date of Representation:	9th June 2021
Support or oppose implementation?	Support
Relevant Objective:	**c)** Positive **d)** Positive **g)** Positive
Relevant Charging Methodology Objective:	**c)** Positive **e)** Positive

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

Storengy UK supports this modification as we believe that it will create a fairer and more competitive environment. Currently the introduction of RRCs (Revenue Recovery Charges) upon transfer or assignment of Existing NTS Capacity, not only changes the costs associated with the original acquisition of the capacity, but also discriminates against sectors of the market, different business structures, trading of assets within the market, and new entrants to the market. This means that some businesses incur these additional costs (likely at short notice), whilst others avoid any additional costs when carrying out similar activities.

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

Storengy UK believes that the current situation is discriminating against some businesses within the industry, as well as new market entrants, as it creates an imbalance in the competitive environment. Therefore we believe that this modification should be implemented as soon as possible to create a fairer and more competitive environment.

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

Some businesses within the industry are currently incurring additional costs from RRC (Revenue Recovery Charge) solely due to the nature of their business, structure of their organisation, timing of asset acquisitions, timing of capacity transfers, or simply the timing for them entering the market. The RRCs can also be implemented or changed at short notice, creating additional uncertainty and risk for those businesses incurring the additional charges.

Previously storage facilities offering storage space to third parties have been encouraged by Ofgem to buy NTS Entry Capacity for the long term on behalf of their customers, with a view to transferring the capacity to customers as they utilise their storage space. Under the new capacity charging regime, the transfer of this capacity to customers means that customers incur an additional charge for the capacity relating to the RRC. Where as for storage facilities who do not offer space to third parties this charge is likely not to be incurred, as they have no need to change the ownership of the original capacity acquired.

Some businesses may incur the RRCs simply because of the way in which they are structured, timings for transfers or changes of ownership, or timing on entering the market:

- One entity within a group may acquire NTS capacity on behalf of another entity within the group, and then transfer to the second entity as required.

- An asset or operation may move to a different business entity within the same group (or a new part of the group), and therefore the associated NTS capacity needs to be transferred to the relevant business entity.

- An asset may have changed ownership to a different company, or simply become a separate business entity in its own right, again needing the relevant NTS capacity to be transferred.

- If NTS capacity is transferred now it becomes liable for RRC, where as if the same transfer had been carried out, for capacity for the same current period, in March 2017 it would not be liable for RRC.

- New entities to the market are unable to acquire Existing Capacity without incurring a possible RRC. Therefore all NTS capacity acquired by new entrants to the market is liable for the additional RRC, creating a potential barrier for new entrants, or unfairness for new entrants within the market.

In all of these examples, parties become liable for the additional RRCs, when businesses carrying out the same or similar activities in the market may not incur any of these additional costs.

The additional RRC for assigning or transferring Existing Contract Capacity may also create a barrier for moving capacity to where it can be utilised. This is likely to result in un-utilised capacity from Existing Contracts, not only making the network less efficient, but also potentially resulting in scarcity of NTS capacity in parts of the network. This may create issues in operating both sites and the overall network, as well as creating potential problems in forecasting network flows and setting yearly capacity charges.

All of these issues can all be avoided through the implementation of this modification, creating a fairer market environment, and encouraging capacity to be moved to where it can be utilised.

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

Storengy UK is satisfied that the legal text will deliver the intended solution.

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.*

N/A

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

N/A