Representation - Modification UNC 0727 (Urgent)

Increasing the Storage Transmission Capacity Charge Discount to 80%

Responses invited by: 5pm on 26 June 2020

To: enquiries@gasgovernance.co.uk

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

Representative:	Riccardo Rossi
Organisation:	Centrica
Date of Representation:	26 June 2020
Support or oppose implementation?	Support
Relevant Objectives:	a) Positive b) Positive d) Positive
Relevant Charging Methodology Objectives:	a) Positive aa) Positive b) Positive c) Positive e) Positive

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

Efficiency

There is a demonstrated strong, positive correlation between aggregate gas demand and storage withdrawals/injections. This means that the gas transportation system (system operations) benefit from gas storage to manage the overall network

A discount of 80% better reflects the contribution made by storage facilities in relation to the efficient and economic operation of the pipe-line system and preserves the ability for gas storage to provide an economic means for balancing the pipeline system.

The flexibility provided by gas storage provides direct support to the System Operator contributing to line-pack management and reduced activity and costs associated with National Grid's participation in the balancing market (OCM) or any other contractual arrangements it may choose to enter into as part of its network balancing toolbox.

Investments

Currently, storage flows are exempt from the application of TO Commodity Charges which are largely employed to recover revenues not recovered from capacity tariffs.

With the shift to a Postage Stamp methodology, the additional costs imposed on storage users through the application of only the minimum 50% discount would be considerably higher than under the current market rules. The negative impact on investment decision concerning storage has been acknowledged by Ofgem in the minded-to-decision at point 5.84[1].

In addition, this would result in undesirable market impacts, such as increased between day and within day price volatility. These market impacts conflict with this objective by inflating the costs associated with balancing the system.

Competition

Shippers will have a greater level of confidence in their forecasts of prospective use of network costs and therefore set their own service costs more accurately and potentially with a lower risk margin thereby enhancing effective competition and indirectly increasing security of supply at economic prices.

Compliance

The level of discount should be consistent with the contribution to system flexibility (EU Tariff Code) and the 50% discount is only a minimum that can be higher if appropriately justified.

The additional revenue recovery requirement resulting from an 80% discount would only lead to a marginal increase in transmission tariffs for other users.

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

Insert Text Here

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

Insert Text Here

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

Yes

[1] "[CEPA] analysis shows that storage operator revenues may be significantly affected by changes to the tariff arrangements. Reductions in revenues are lower where a CWD RPM is used. The impact of tariff reform on storage revenues is significantly smaller where an 80% storage discount is included."

Respondents are requested to provide views on the following points:

Q1: Respondents are requested to provide a view as to whether the solution provided within the Modification is fully compliant with the relevant legislation (including, but not limited to, Articles 28-32 of the Tariff Network Code).

Q2: Respondents are requested to provide views on the proposed implementation date.

Implementation should align with the implementation of UNC MOD 0678A i.e. 1 October 2020. Otherwise as soon as possible afterwards. A revision of the RRC, if and when needed based on the gas transporter forecasts, will need to be issued providing for 2 months' notice.

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.*

No

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

No further comment