

Representation - Draft Modification Report UNC 0686

Removal of the NTS Optional Commodity Rate with adequate notice

Responses invited by: **5pm on 07 June 2019**

To: enquiries@gasgovernance.co.uk

Representative:	Peter Colleran
Organisation:	Nephtin Energy Ltd
Date of Representation:	7 th June 2019
Support or oppose implementation?	Support
Relevant Objective:	<p>c) Positive – efficient discharge of the licensee's obligations</p> <p>d) Positive – securing of effective competition</p> <p>g) Positive – compliance with the Regulation and relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators</p>
Relevant Charging Methodology Objective:	<p>a) Positive – cost reflectivity</p> <p>b) Positive – takes account of developments in the transportation business</p> <p>c) Positive – facilitates effective competition</p> <p>e) Positive – compliance with European Commission and/or ACER</p>

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

There is no valid support for the current Optional Commodity Charge – its underpinning analysis has languished through neglect, creating a level of cross-subsidy of around £150m between those who can and those who cannot access the charging option. It is also non-compliant with TAR NC. There is no real dependency between the other changes in Mod 678 and this specific charging structure, OCC, will be removed under all options. Nothing here interferes with the implementation of an inefficient bypass option - should that prove necessary - based on current need, coming either from Mod 678 or Mod 670, which is focussed on that issue alone. We agree with the Proposer that this offers an effective fallback position in the move towards full compliance. As such it delivers impetus in the continuous development of an appropriate gas transportation charging system.

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

Every effort should be made to have this in place for the new charging year, starting October 2019. There appears to be no structural delay. The industry has been fully aware of the proposal to remove the OCC in its current form under Mod 678 for which there was an accelerated timetable directed to an October 2019 implementation. Thus, planning should have been flexible to this outcome in all relevant organisations.

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

No comments.

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

Not examined in detail but appears to remove all references to the option.

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.*

We are concerned that the quotes from Ofgem's 636 decision letter, which are used in the report as precedent, are out of context; this letter was in response specifically to simple modifications to the parameters in the OCC. Since then Mod 621, into which it was enveloped, has been rejected and the ongoing complexity of Mod 686 is providing slow to resolve so it is more than reasonable to consider the removal on a standalone basis.

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