

Representation - Draft Modification Report UNC 0752

Introduction of Weekly Entry Capacity Auction

Responses invited by: 5pm on 11 May 2021

To: enquiries@gasgovernance.co.uk

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

Representative:	Lucy Manning
Organisation:	Grain LNG
Date of Representation:	10 May 2021
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive

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

LNG terminals provide the UK with security and diversity of gas supply, and the flexibility to store and regasify LNG in response to market demand. Introducing a weekly NTS entry capacity auction would allow LNG terminal customers to book capacity more efficiently, in a way that better reflects their anticipated gas flows. This will reduce unnecessary costs, help attract LNG to the UK, and improve competition in the market.

Shippers wishing to use flexibility assets, including LNG terminals, to respond to market demand currently have a choice of two short-term capacity products: daily or monthly. A cargo of LNG cannot be unloaded and regasified in a single day, but the process does not take a whole month. This means that a shipper wishing to bring a cargo of LNG to the UK must either make multiple capacity bookings, one day at a time, and risk being unable to access the capacity they need, or book much larger tranches of capacity than they require and be faced with unnecessary costs. One shipper inefficiently over-booking capacity means that the capacity cannot be made available to other shippers, who may have wanted to access it.

LNG is an increasingly significant part of the UK's energy mix and it is important that the suite of NTS entry products made available to shippers is adapted to meet the market's needs where this is possible.

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

The Modification should be implemented as soon as possible. We see no reason for implementation to be delayed to the start of a Gas Year.

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

Grain LNG would face no additional costs.

Our existing and potential future customers may face additional costs if the Modification is not implemented, because the current range of capacity products may lead to inefficient over-booking or because capacity may be unavailable when needed.

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

Yes.

Modification Panel Members have requested that the following questions are addressed:

Q1. Do you consider this Modification to be suitable for self-governance procedures?

Yes, Grain LNG believes that the Modification meets the self-governance criteria:

The proposed changes will have a positive impact on competition by allowing shippers more choice and facilitating more efficient bookings; there will be no increase in complexity of processes or confusion for customers; there are no additional costs beyond the initial systems changes; and there is no different treatment according to class of parties.

We note that the proposed change would supplement the existing product range but would not amend or impact the current pricing, auction or transparency arrangements.

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.*

No.

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

We note that the Draft Modification Report refers to a TAR NC compliance query. Grain LNG is of the view that, since TAR NC Art 29 refers only to the publication of prices at IPs, and since this Modification does not apply at IPs, the proposed change cannot be in contravention of the TAR NC Art 29 requirement.