

Representation - Modification UNC 0791 (Urgent)

Contingency Gas Procurement Arrangements when a Supplier acts under a Deed of Undertaking

Responses invited by: **Midday on 24 December 2021**

To: enquiries@gasgovernance.co.uk

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

Representative:	Gerry Hoggan
Organisation:	Scottish Power
Date of Representation:	24 December 2021
Support or oppose implementation?	Oppose
Relevant Objective:	<p>a) None</p> <p>c) None</p> <p>d) None</p>

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

Whilst we recognise and support the intention behind the proposal and appreciate that it was born out of some of the wider discussions on the now withdrawn MOD0789, we have concerns over the need for, and use of urgent processes, as we have expressed in other recent modifications. The use of such procedures stunts development and debate and restricts the ability for other Alternatives to be brought forward, in circumstances where it is currently not clear that any further shipper failure is imminent. Allowing for the potentially significant implications for shippers it is critical that the process should be robust and that there should be no unintended consequences and we remain concerned that that cannot be said with the required degree of certainty.

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

If implemented we agree with the proposed implementation date as further clarified in the note from National Grid Gas (NGG) of 2nd December 2021, although there needs to be greater certainty as to how shippers will be notified of various triggers points in the processes.

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

None identified to this point

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

We have not reviewed the legal text.

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

Q1: CPoSD role start trigger:

Do you believe the trigger of 10,000,000 kWh for commencement of the CPoSD role is appropriate? This figure of 10,000,000 kWh is considered to be a reasonable threshold for action to be taken separately to residual balancing, given that the average absolute shipper imbalance on days when no residual balancing trades were undertaken by National Grid NTS over the period 01/10/20 to 30/09/21 was 13.3GWh/day and was 13.1 GWh/day over the same period when the system was short of gas. If not, please justify your answer - do you have an alternative figure and why is this more appropriate?

While the logic behind the trigger would appear to be sound, we have not had an opportunity to fully evaluate the level quoted or any other alternative

Q2: CPoSD role end trigger:

Do you believe the trigger of 100,000 kWh for ending of the role of the CPoSD is appropriate? A minimum volume of 100,000 kWh is proposed because this is approximately the minimum trade quantity available on the OCM. If not, please justify your answer.

As Q.1 above. Any volume <100,000 kWh should be manageable by NGG in its current role as residual balancer

Q3: CPoSD role performance

Considering the new role for National Grid NTS of CPoSD and the need for economic and efficiency in decision making, do you believe that the wording in the commentary (see below) relating to UNC Section D 6.3.4 "on an economic basis"

<i>New paragraph 6.3.4</i>	<i>And when purchasing gas under paragraph 6 National Grid NTS will aim to do so on an economic basis.</i>
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- i) has a legal definition,*
- ii) provides sufficient protection to industry or not and*
- iii) could have any unintended consequences or not?*

Please provide an explanation for each response.

- i) Further definition is required as regards new paragraph 6.3.4, whether that is by reference to similar obligations in NGG's licence or more explicitly, to give greater clarity around what is meant by "will aim to do so on an economic basis"
- ii) As currently worded, it is not clear exactly the level of protection that would be offered by this provision

- iii) We are concerned that there may be unintended consequences that may not have been brought out by the limited analysis has been possible within the urgent process timetable

Q4. CPoSD monitoring and audit

Do you have any views on an appropriate monitoring and audit process for this new CPoSD role?

The audit process appears reasonable, although we would suggest that there should be some role for Ofgem to scrutinise NGG's role in procuring on "an economic basis".

Ofgem have requested that the following questions are addressed:

Q5. What is the likely impact on consumers, industry and the market if the status quo for shipperless sites was maintained this winter (the status quo being National Grid NTS procuring the gas for shipperless sites through Residual Balancing)? Please justify if you think it is necessary to have an alternative solution in place.

Any such impact would be entirely dependent on consequential shipper failures and the scale of that failure, and the likelihood of that is something that we are unable to comment upon. As highlighted during industry workshops in relation to MOD0789 in the event of a shipper failure and the current arrangements operating this may result in SMP Buy Price being higher, although that would be in the context of the whole system imbalance position. It was for this reason that this alternative option was explored, although we remain concerned whether this is the only option available, any accompanying unintended consequences, and the truncated process which has constrained the ability to develop either this proposal or any other alternatives

Q6. What is the likely impact – both positive benefits and negative consequences/risk - of UNC0791 and the Contingency Gas Procurement Arrangements on consumers, industry and the market?

Again, this would be dependent on consequential shipper failures and the scale of such failures, but the lack of overall transparency in the proposal may yet lead to sizeable and possibly unexpected neutrality costs being faced by shippers

Q7. What do you see as the costs and/or risks of National Grid NTS operating in markets outside of the OCM in this manner?

We have not been in a position to assess fully any such cost/risks so are currently unable to offer a view. Inevitably though the NGG's costs would increase through their operation of this role

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.*

There are still issues around how and when shippers will be notified of the various trigger points in the process as well as a need for further scrutiny of NGG in performing the role of CPoSD

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

None