Representation - Modification UNC 0790 (Urgent)

Introduction of a Transmission Services Entry Flow Charge

Responses invited by: 5pm on 06 December 2021

To: enquiries@gasgovernance.co.uk

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

Representative:	Claire Procter
Organisation:	PETCO Trading (UK) Limited
Date of Representation:	6 December 2021
Support or oppose implementation?	Support
Relevant Objective:	**d)** Positive
Relevant Charging Methodology Objective:	**aa)** Positive **c)** Positive

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

We support this Modification as the prevailing charging regime is anti-competitive given Entry Capacity Contracts entered into post Apr-17 are cross-subsidising Existing Contracts, when there should be fair competition and a level playing field facing the shipping community. This modification will help address this imbalance by reducing the substantial price gap between the two types of contracts.

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

As soon as possible. The uncertainty and volatility surrounding the pricing regime that we have experienced since Summer 2020 is detrimental to a functioning market. The ability of the Shipping community to plan their future business is seriously hampered by what has happened and needs to be addressed.

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

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

Are there any errors or omissions in the Modification that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

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

The analysis carried out by Frontier Economics highlights that the under recovery of NGT entry point revenue is explicitly caused by Existing Contracts, whose prices are 23 times lower than new capacity. Meanwhile clause 3 of article 4 of the EU Tariff Network Code indicates this to be a valid approach to take towards closing the price gap. The current mechanism has created an issue around volatility in prices which is extremely detrimental to the effective functioning of the market. We note that the change would still result in a substantial difference in pricing of capacity contracts and highlight this as anti competitive.

The TO Entry Commodity Charge was an integral part of the charging regime up until the last reform in October 2020. Therefore Existing Contracts would have originally anticipated this type of charge when they bought the capacity.