

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:	Adam Bates
Organisation:	South Hook Gas Company Ltd.
Date of Representation:	6 th December 2021
Support or oppose implementation?	Comments
Relevant Objective:	d) Negative
Relevant Charging Methodology Objective:	aa) None c) Negative

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

South Hook Gas (SHG) cannot currently support this Modification due to indirect impact on processes outside the UNC and would like to offer comments. Primarily, this Modification once again highlights the significant uncertainty which arises from having multiple governance processes which are not aligned. Specifically, this UNC Modification will increase the cost of Funded Incremental Entry Capacity¹ disproportionately when compared to prevailing capacity, potentially creating a barrier to entry for new entrants and new investment to the UK. Despite the materiality of this change, as the Methodology Statements sit outside the UNC governance process, there is no mechanism for changes to be suggested or considered by any party other than National Grid or Ofgem.

This issue has been raised by SHG both bilaterally with National Grid and within wider industry forums. National Grid have responded that, as the NPV test does not sit within the UNC, it is not capable of being amended or clarified in the UNC governance process. Instead, this would have to be addressed through updates to the Capacity Release Methodology Statements themselves. As per the current process (and as suggested by

¹ Where a premium is required to pass the Funded Incremental Entry Capacity NPV test. The Funded Incremental Entry Capacity NPV test is contained with the Entry Capacity Release Statement (ECRM)

National Grid), the next iteration of Methodology Statement changes would be due to be completed by July 2023 (18 months after this consultation response). It does not seem acceptable that industry must wait nearly two years for an impact resulting from a UNC change to be potentially rectified in another governance process, which could create a significant amount of uncertainty for customers following these processes.

If the NPV test were contained within the UNC, then the Modification would have identified any impacts and proposed subsequent resolutions. If the issues were not addressed, then SHG (or another party) would have at least been able to raise an Alternate Modification to include a resolution to the identified impacts. Should an impact have been identified in the Modification but no resolution included, then it is expected that the Modification would be deemed insufficiently developed, especially as an Urgent Modification.

It is worth noting that SHG has identified the impacts on the NPV test due to its current PARCA application. It may be that there are other processes (within the Methodology Statements and other governance processes) which are impacted and have not been identified or assessed. As noted above, if other unidentified and unassessed impacts do manifest upon implementation, then on the current timetable industry would be subject to these impacted processes for at least the next 18 months.

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

If the Modification is to be implemented, it should coincide with the start of a new Gas Year and not be implemented mid-year.

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

SHG does not foresee incurring any additional costs resulting from implementation of this Modification outside of those noted above.

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

Yes, however a full legal review has not been conducted

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.*

As discussed above, this Modification impacts processes that sit outside the UNC which have not been fully discussed through this process.

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

None