

Representation - Modification UNC 0727 (Urgent)

Increasing the Storage Transmission Capacity Charge Discount to 80%

Responses invited by: 5pm on 26 June 2020

To: enquiries@gasgovernance.co.uk

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

Representative:	Colin Williams
Organisation:	National Grid NTS
Date of Representation:	26/06/2020
Support or oppose implementation?	Qualified Support
Relevant Objectives:	<p>Relevant Objectives:</p> <ul style="list-style-type: none"> a) None b) None d) Positive e) None <p>Charging Relevant Objectives:</p> <ul style="list-style-type: none"> a) None aa) None b) None c) Positive

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

National Grid NTS “National Grid” offers Qualified Support for this proposal.

We note there is no impact to Non-Transmission Services Revenue to consider as all Storage flows are exempt from the General Non-Transmission Services Entry and Exit Charges.

Within Ofgem’s Decision letter for UNC0678A they stated that they remain open to a storage discount of above 50% where this is well justified and appropriate.

The 80% level is quite subjective to valuing the benefits and any discount has the impact of requiring recovery of the amount not paid as a result of the discount from other Users, although we recognise the materiality of the impact to other Users is low when comparing the 50% to the 80% discount proposals. We support Storage receiving an increased discount to capacity reserve prices and believe the change from 50% to 80% will impose minimal extra costs to non-Storage whilst recognising the role Storage can play during times of system stress.

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

01 October 2020 or any other date being the first Day of a month, directed by the authority, National Grid would need adequate notice to support the implementation and ensure the payable prices are correct on the invoices. We note that under “Standard Special Condition A4. Charging – General” of National Grids Licence, the minimum notice that can be given to Ofgem for National Grid to notify of a change to Transportation Charges, is one month that would cover changes to the Transmission Services Entry and Exit Revenue Recovery Charges.

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

N/A

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

Yes

Respondents are requested to provide views on the following points:

Q1: Respondents are requested to provide a view as to whether the solution provided within the Modification is fully compliant with the relevant legislation (including, but not limited to, Articles 28-32 of the Tariff Network Code).

We believe the storage discount specified within the modification of 80% is compliant with the EU Tariff Code.

With an update to 80% this changes the percentage discount for Storage relating to Article 9(1) of the EU Tariff Code. If the discount were to be higher than the 50% in place with UNC0678A then it would update the final Storage Transmission Services Tariffs mentioned in Article 9 for Gas Year 2020/21. If implemented, and only updating Storage Reserve prices, any shortfall arising from the increase of the discount from 50% to 80% would be accommodated via capacity based Transmission Services Entry and Exit Revenue Recovery Charges (TSRRCs). As with many elements of the charging regime introduced as part of UNC0678A, TSRRCs manage revenue recovery within Gas Year for Transmission Services.

Article 30

Article 30 covers the “Information to be published before the tariff period”. Information required under Article 30 does not cover specifically the storage discount or a capacity-based TSRRCs approved under UNC0678A.

Article 30 does not seem to preclude a within-year variation of anything consulted on (unless prohibited by or in consequence of Article 12). We note that UNC0678A allows within year updates of the TSRRCs.

Article 32

On publication, Article 32 does not limit values being updated within the tariff year and implementation of UNC0678A introduces tariffs that can be updated at appropriate times, notably (and not limited to) the TSRRCs.

Article 32 “Publication notice period” provides scope to update the report should any details, as necessary be updated. UNC0678A has charges introduced that can be updated within year.

Use of Revenue Recovery Charges

The principle of capacity-based TSRRCs for the Gas Year (based on forecast over/under recovery of Transmission Services revenue in that Gas Year), and the ability to adjust these within-year, was approved in UNC0678A. This fulfils the obligation in Article 17 of the Tariff Code which manages revenue recovery to minimise under / over recovery and to recover in a timely manner.

The proposal under UNC0727 does not alter this.

Irrespective of implementation date, there are multiple scenarios that could give rise to a need to introduce or vary the TSRRCs for the Gas Year.

Q2: Respondents are requested to provide views on the proposed implementation date.

Our preference would be to implement as soon as possible so there would be a holistic change to the charging arrangements in line with those implemented under UNC0678A.

National Grid can implement on the 01 October 2020 or any date which is the first Day of any subsequent month.

Are there any errors or omissions in this Modification 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

N/A