

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:	Chris Wright
Organisation:	ExxonMobil Gas Marketing Europe Limited
Date of Representation:	11 May 2021
Support or oppose implementation?	Support
Relevant Objective:	<p>a) Positive</p> <p>d) Positive</p>

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

The current auction processes for acquiring entry capacity were established many years ago. At that time, there was an expectation that there would be competition amongst shippers for entry capacity, and that this would create a strong incentive on shippers to book over the longer term. The situation is now very different. There is generally an excess of entry capacity with limited competition amongst shippers to book it. Further, taking into account the reduction in available discounts since the introduction of UNC 0678A, capacity unit charges at entry points are now (potentially much) higher than those seen in recent years.

Higher capacity prices mean that shippers will pay increased attention to their capacity bookings, to ensure that these match actual flow requirements as closely as possible. Uncertainties over supply and demand patterns means that the most accurate booking profile is achieved as close to the gas day as possible, with the added benefit of a discounted capacity reserve price applying to interruptible capacity. Indeed, sales of this capacity have increased markedly since the implementation of UNC 678A in October 2020.

Notwithstanding this, there are specific circumstances when leaving capacity bookings to the day ahead or within day causes a significant increase in a shipper's risk. Most notably, in the event of network maintenance, short term capacity products may not be made available by National Grid, sometimes with very little notice being provided.

In proposing the introduction of a weekly capacity product, UNC 0752 offers a practical, low cost and timely capacity product. It provides an alternative to monthly capacity, which may entail unnecessary cost to the shipper (e.g. where only a limited number of capacity days are actually required in the month), and a daily product which may not be

available when needed, providing the shipper with no recourse to constraint management payments.

This proposal would also allow shippers to respond more efficiently to wholesale market signals particularly with regard to importing spot LNG cargos to meet unforeseen market demand.

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

Implementation should be as soon as possible. We support self-governance processes for this proposal, which should further speed up the delivery of this solution to the industry.

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

None

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. This is a low cost opportunity to introduce a valuable enhancement to the suite of capacity products currently available. The Workgroup Report demonstrates that this proposal is seen as largely uncontentious, with little or no scope for unintended consequences.

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

N/A