

Representation - Draft Modification Report UNC 0611 Amendments to the firm capacity payable price at Interconnection Points

Responses invited by: **5pm on 06 July 2017**

To: enquiries@gasgovernance.co.uk

Representative:	Graham Jack
Organisation:	British Gas Trading Limited
Date of Representation:	03 July 2017
Support or oppose implementation?	Qualified Support
Relevant Objective:	g) Positive

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

We agree that there is a need to clarify how transportation charges will be established and applied for the provision of capacity at Interconnection Points, including the basis for establishing charges for incremental capacity. The relative timings for the implementation of the revised EU CAM network code and the EU Tariff network code necessitates this modification proposal, since a solution is required before the Tariff code is fully implemented by 31 May 2019. We are not wholly convinced that the solution in respect of incremental capacity is conducive to encouraging investment at Interconnection Points, hence our qualified support, but would expect this to be reconsidered as part of the wider charging review that is currently underway.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

It is important that Ofgem considers whether the proposal will help to deliver incremental capacity at Interconnection Points (if required), including the application of the proposed economic test. We therefore agree that self-governance is not appropriate for this proposal.

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

As required to ensure that EU network codes are complied with.

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

None identified.

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

National Grid have asserted that the text ensures that charges for “legacy” entry capacity contracts (as provided for under Article 35 of the EU Tariff network code) will not be impacted by the proposal and this outcome is important. The presentation of the legal text could have been clearer in our view.

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

Q1: Please provide clear views and supporting evidence on the self-governance status of this modification focusing, in particular, on whether this proposal is likely to have a material impact upon competition in the shipping, transportation or supply of gas.

In respect of incremental capacity it is important that potential applicants are not discouraged from making a purchase and that the overall funding, or financial exposure, for the capacity is reasonably shared between applicants and the wider shipper community. This appears to have been properly addressed via this modification proposal and the recent proposed changes to the Capacity Release Methodology Statements. Nevertheless, Ofgem’s views on the application of the economic test should be sought and recorded to help ensure that the balance between direct costs (via User commitment) and socialised costs is appropriate. Ofgem should also be satisfied that the requirements of the EU network codes are being met.

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.*

None identified.

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