

Representation - Draft Modification Report UNC 0739

Aggregate overrun regime for Original Capacity held at the Bacton ASEPs

Responses invited by: **5pm on 11 February 2021**

To: enquiries@gasgovernance.co.uk

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

Representative:	Pavanjit Dhesi
Organisation:	Interconnector UK LTD
Date of Representation:	10 February 2021
Support or oppose implementation?	Support
Relevant Objective:	d) Positive

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

Shippers who booked NGG capacity products at the Bacton ASEP before 1 November 2015 had flexibility and fungibility to use such capacity rights for any one of 5 Bacton entry points. These features were likely to have been an important consideration in the decision to acquire such capacity products. When Bacton was split into two ASEPs to implement the European CAM code, each of these Shippers was faced with reduced fungibility, and some of these Shippers did not get all of their capacity reallocated to their preferred Bacton ASEP. It was however noted in the UNC501v Bacton splitting decision that a significant amount of zero reserve price capacity was available for these Shippers if they now needed to acquire capacity at the other Bacton ASEP. The same economic and practical outcome could therefore be obtained in alternative ways – meaning there were no material consequences for these Shippers.

However, since October 2020 the implementation of UNC678A has changed the pricing structure of these products disadvantaging these original capacity holders, and effectively taking out the opportunity to obtain the same economic effects as the original capacity products. In its decision on UNC501V, Ofgem recommended that in case the NTS charging regime were to change, market participants should consider raising a specific modification proposal. It is our view that the current proposal restores the key features of such original capacity products and also has a positive market impact by prompting greater utilisation of this “original” capacity.

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

Insert Text Here

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?*

Insert Text Here

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

Q1: Consider the risk of displacement of shorter-term capacity sales, extent and likely impacts on the consumer.

The overrun flexibility might indeed carry a risk of reduced short term sales of NGG capacity products.

We think however that this risk does not outweigh the considerations about maintaining the key flexibility and fungibility features of the original capacity products – i.e. is it fair for original capacity users to effectively pay twice for capacity? (once for the unutilised Bacton ASEP, as well as for the capacity at the alternate Bacton ASEP)

The proposed aggregate overrun regime will lead to more efficient use of the original capacity, which should benefit the market therefore consumers.

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.*

Insert Text Here

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

Insert Text Here