

Representation

Draft Modification Report

0348 - NTS Optional Commodity tariff – update to application rules

Consultation close out date: 11 March 2011
Respond to: enquiries@gasgovernance.co.uk
Organisation: National Grid NTS
Representative: Debra Hawkin
Date of Representation: 10 March 2011

Do you support or oppose implementation?

Support

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

National Grid NTS raised this modification with the intention of improving the administration of the NTS Optional Commodity (short-haul) tariff. By improving the clarity and transparency of the existing UNC rules regarding the application of the tariff, implementation would be expected to better facilitate efficient implementation and administration of the UNC.

The intention of this modification is also to improve the cost reflectivity of the charge.

In addition with regard to the third part of the proposal – the application to storage exit points, the proposal seeks consistency with the established principle that storage avoids standard commodity charges as storage flows have already attracted commodity charges on initial entry to and final exit from the NTS. National Grid NTS believes that removing short-haul at storage is consistent with this principle.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

National Grid NTS does not believe there are any new or additional issues to record within the Modification Report.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

National Grid NTS believes that in respect of Standard Special Condition A11 (d) so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition (i) between relevant shippers, this proposal would improve the clarity and transparency of the existing UNC rules regarding the application of the NTS Optional Commodity tariff. This will facilitate appropriate choices for Users regarding this tariff. Removal of potential uncertainty in the application of the tariff will reduce the time spent by Users and National Grid in resolving associated queries. All three parts of the proposal will better facilitate the application of the NTS Optional Commodity tariff. This will facilitate effective competition between Shippers/Suppliers by reducing any barriers to entry arising as a result of ambiguity in application of the methodology.

National Grid NTS believes that in respect of Standard Special Condition A11 (c) so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence, this proposal would better facilitate the charging methodology objectives as set out in Standard Special Condition A5 5 including cost reflectivity, promoting efficiency and avoiding undue preference for the reasons detailed below.

(i) Removal of the application to Storage Connection points as Specified Exit Points will remove a potential cross subsidy in regard to Storage Users. Storage Users already benefit from avoidance of standard Commodity charges on exit from the NTS and re-entry back to the NTS. Retention of the availability of the 'short-haul' tariff to these Users undermines the principle on which this was predicated. The principle on which storage avoids standard Commodity Charges is that storage is deemed to be part of the wider system and charges have already been incurred in relation to gas flowing in and out of storage facilities on initial entry to the NTS and exit to the end consumer. Allowing the option of the 'short-haul' tariff undermines the principle of 'already having paid standard commodity' on storage flows. National Grid believes that removing potential cross subsidies is consistent with this objective.

(ii) choosing the nearest SEP where there are multiple SEPs within the Specified Entry Point leads to charges that are more cost reflective and reduces the risk of inefficient by-pass and is therefore more efficient.

(iii) removal of Users' requests for specific allocations, when the 'short-haul' tariff is requested for more than one exit point from a single entry point, leads to charges that are more cost reflective as the tariff is calculated on the basis of building of a single pipe from Entry Point to Exit Point with a high load factor applied to this route. The costs of any necessary IT system changes to support alternate allocations are also likely to outweigh any potential benefits.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

As proposer National Grid NTS believes that there are no systems or operational costs and no impact on our systems or processes as stated in the modification proposal.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

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National Grid NTS believes that a lead time of four months is required to allow for the necessary charge calculation and two month notification process. The following implementation dates are therefore proposed;

If an Authority decision is received by 1 June 2011, implementation on 1 August 2011 (to apply to NTS transportation charges from 1 October 2011).

If an Authority decision is received by 1 December 2011, implementation on 1 February 2012 (to apply to NTS transportation charges from 1 April 2012).

Legal Text:

Are you satisfied that the suggested legal text will deliver the intent of the modification?

National Grid NTS believes the suggested text will deliver the intent of the modification but welcomes any comments submitted with regards to the suggested text.

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

National Grid NTS believes that this topic has had wide industry discussion at both the Gas Transmission Methodologies Forum (TCMF) and the Transmission workstream meetings and therefore believe that appropriate effort has been made to ensure that those affected by this proposal are aware of it. Significant discussion has taken place on the topic.