

Representation

Draft Modification Report

0382 - Reducing the capacity element of LDZ system charges for SSPs

Consultation close out date: 12 September 2011

Respond to: enquiries@gasgovernance.co.uk

Organisation: **Corona Energy**

Representative: Richard Street

Date of Representation: 09 September 2011

Do you support or oppose implementation?

Not in Support

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

The move 95:5 was intended to provide more stable and predictable prices for customers, as well as to improve cost reflectivity. We have concerns that the current charging regime is neither stable nor predictable, but believe that reverting to a 50:50 split for SSPs would exacerbate the situation, as well as reduce the cost reflectivity of Transportation charges. Restricting any such change to a portion of the market will mean differing criteria will be used to determine a site's charges. This will distort the market as customer charges in the different sectors vary differently in response to changes in system demand.

We are sympathetic to the concerns regarding cash flow that the proposer has raised in the modification. This change however will not solve the root cause of the problem, namely that shippers are unable to predict with any accuracy the future course of transportation charges and plan accordingly. We support any such development that removes this unpredictable volatility. Through conversations with Transporters Corona Energy, as part of ICoSS, has noted that is a desire for stable and predictable transportation charges as part of the upcoming price control. We believe this would be the most appropriate route to achieving such an outcome.

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

No

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Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Reverting back to a 50:50 split for the SSP sector will increase transportation charge volatility and reduce their cost reflectivity. In addition differentiating the cost recovery mechanisms between market sectors will distort the market.

These factors will inhibit competition and so not further the relevant objectives.

Impacts and Costs:

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

Like the majority of shippers active in the market, we supply both SSP and LSP customers (in our case, all non-domestic). Moving to a regime where SSP site costs are recovered through a 50:50 split and LSP costs through a 95:5 split will impact our ability to predict prices going forward and we will therefore incur costs in making the necessary adjustments.

Implementation:

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

Our comments regarding the modification notwithstanding, the implementation timescales should give sufficient time for shippers to adjust their processes to the new charging calculation process if implemented.

Legal Text:

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

We have not reviewed the legal 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.

No.