

## Representation

### Draft Modification Report

#### 0385: Inclusion of DNOs as Users in User Pays Arrangements

**Consultation close out date:** 16 November 2011  
**Respond to:** enquiries@gasgovernance.co.uk  
**Organisation:** National Grid NTS  
**Representative:** Nick Reeves  
**Date of Representation:** 15 November 2011

#### Do you support or oppose implementation?

Support

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

As proposer of Modification Proposal 0385, National Grid NTS supports the implementation of the proposal. Currently, the UNC Modification Rules explicitly excludes DNO Users from being identified as Users for the purposes of apportioning the benefits and costs of a User Pays Modification Proposal between Users and Transporters. As such, where DNO Users will benefit from a User Pays Modification Proposal the implementation and ongoing costs must currently be apportioned to DNOs in their capacity as a Transporter rather than a User. Allowing DNO Users to be clearly identified as User beneficiaries of a User Pays Modification Proposal will provide greater transparency of User Pays costs, allow a greater range of suitable cost allocations and help to avoid inappropriate cross-subsidies. An example of where this apportionment may be required is in respect of services related to new NTS Exit arrangements whereby Distribution Network Owners (DNOs) are treated in a similar manner to Shipper Users in so far that they have the ability to apply for, and be registered as holding, NTS Exit Capacity.

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

National Grid NTS has no new or additional issues that should be recorded in the Modification Report.

### **Self Governance Statement:**

*Do you agree with the Modification Panel's decision that this should be a self-governance modification?*

While National Grid NTS appreciates that this proposal may appear to satisfy the Self Governance Criteria, we consider that the wider impacts resulting from the implementation of this proposal may have a material positive impact on competition and the UNC Modification Rules. As such, we believe that this Modification Proposal may not satisfy the Self Governance criteria.

### **Relevant Objectives:**

*How would implementation of this modification impact the relevant objectives?*

National Grid NTS considers that the implementation of Modification Proposal 0385 will better facilitate the achievement of Relevant Objectives (c), (d), and (f).

In support of the above, our wording from Section 4 of Modification Proposal 0385 is included below;

#### Relevant objective (c)

This Proposal would more effectively demonstrate that charges for User Pays Services do not unduly discriminate or unduly prefer any person or class of persons as required by Licence Condition A15(11) of the DN and NTS Licences. From this perspective this licence condition would be more efficiently (and transparently) discharged.

#### Relevant objective d(iii)

This Proposal will enhance effective competition between DNOs and between DNOs and relevant shippers by enabling cost apportionment proposals for User Pays charges to be applied to DNO Users as well as Shipper Users, thus creating visibility for the industry that such apportionment mechanisms are being applied on a non-discriminatory basis.

#### Relevant Objective (f)

This Proposal will promote efficiency in the implementation and administration of the Code by removing a potential barrier to the transparent apportionment of costs within a User Pays Modification Proposal to all Users who benefit from such a Proposal.

### **Impacts and Costs:**

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

There are no costs associated with implementation of this proposal. In the event of implementation the allocation of User Pays costs will be more transparent and better attributed between benefiting parties.

**Implementation:**

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

On the assumption that the proposal remains a Self Governance Modification Proposal, National Grid NTS considers that the implementation of this proposal can be made 15 days after the Panel determination date (e.g. 8<sup>th</sup> December 2011 based on a Panel determination date of 17<sup>th</sup> November 2011).

**Legal Text:**

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

National Grid NTS is satisfied that the legal text will deliver the intent of the Modification.

**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 has no further comments to add.