

Representation

Draft Modification Report

0417S: Notice for Enduring Exit Capacity Reduction Applications

Consultation close out date: 11 June 2012
Respond to: enquiries@gasgovernance.co.uk
Organisation: Gaslink Independent System Operator Limited
Representative: Celine Hayes
Date of Representation: 11th June 2012

Do you support or oppose implementation?

Support/Qualified Support/Neutral/Not in Support/Comments* *delete as appropriate*

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

We support implementation of the modification because it would align the user commitment principles associated with incremental enduring capacity across all users and exit points, ensuring equal treatment irrespective of movements in indicative and actual prices, correcting a key failing in the existing regime. This would further the competition objective and be consistent with the Article 16(2) of Regulation 715/2009 which requires capacity-allocation mechanisms to be non-discriminatory. Unwanted capacity would also be made available for use by others thereby promoting the efficient and economic operation of the pipeline system. In addition, it would improve the capacity planning process as National Grid NTS will receive more robust signals of future exit capacity requirements where users make incremental capacity commitments in the certain knowledge that the associated financial commitment is capped at a transparent level, and that the exposure to uncertain and potentially volatile movement in indicative and actual prices is removed.

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

None

Self Governance Statement:

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

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Yes

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Achievement of relevant objective (a) “Efficient and economic operation of the pipe-line system”

Enabling users to reduce enduring capacity holdings that are no longer required (and for which the original user commitment amount has been satisfied) would allow National Grid NTS to make that capacity available for use by others, thereby promoting the efficient and economic operation of the pipeline system.

Achievement of relevant objective (c) “Efficient discharge of the licensee's obligations”

The modification would improve capacity planning processes and thereby promote the efficient discharge of licence obligations relating to economic and efficient system development. National Grid NTS will receive more robust signals of future exit capacity requirements where users make incremental capacity commitments in the certain knowledge that the associated financial commitment is capped at a transparent level, and that the exposure to uncertain and potentially volatile movement in indicative and actual prices is removed.

Achievement of relevant objective (d) “Securing of effective competition”

The modification would align the user commitment principles associated with incremental enduring capacity across all users and exit points, thereby furthering the objective of securing effective competition.

The existing principles discriminate against users holding incremental capacity for which actual prices turn out to be more than four times the indicative prices – their user commitment in financial terms can increase many-fold because of the 14 month rule – whilst users holding capacity subject to lesser price movements are unaffected, and retain their original financial user commitment.

Through the modification all users having a user commitment at any exit point would be treated equally, irrespective of the movements in indicative and actual prices, and this is an important step in correcting a key failing in the existing regime.

We recognise that there are also issues under the existing regime concerning the ability to make reductions within the 14 month period for enduring capacity holdings which have no user commitment, or for which the user commitment has been discharged. These could be addressed if necessary through a subsequent modification.

Achievement of relevant objective (g) “Compliance with the Regulation and any relevant legally binding decisions of the European Commission etc.”

The modification would facilitate compliance with Article 16(2) of Regulation (EC) No 715/2009 which, inter alia, requires the transmission system operator to implement non-discriminatory and transparent capacity-allocation mechanisms providing appropriate economic signals for the efficient and maximum use of technical capacity.

Impacts and Costs:

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

None

Implementation:

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

The modification should be implemented with the minimum lead-time, so that it is effective during the forthcoming July 2012 Application Window in respect of applications for reductions in enduring capacity. Furthermore, those making applications for increases in capacity would do so in light of the additional flexibility provided through the modification to make reductions in the future.

Legal Text:

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

Yes

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 additional comments