

Representation

Draft Modification Report

0439: Notice for Enduring Annual Exit (Flat) Capacity Reduction Applications

Consultation close out date: 15 April 2013
Respond to: enquiries@gasgovernance.co.uk
Organisation: Centrica Storage Limited
Representative: Antony Miller
Date of Representation: 28 March 2013

Do you support or oppose implementation?

Support

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

CSL's view is that the implementation of this modification will improve the efficiency of the gas market. It will achieve this by: providing all Users with greater certainty regarding their potential financial exposure when signalling for additional exit capacity; allowing all Users to provide a clear signal of how they intend to manage exit capacity at the relevant exit point; ensuring that all Users can respond to prevailing price signals.

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

No.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

CSL view is that this modification would have a positive impact on securing effective competition (relevant objective (d)). This is because the current '14 months' notice period before results in Users being required to hold and pay for Enduring Annual NTS Exit (Flat) Capacity which they do not require. Ensuring that Users are not facing unnecessary costs improves their economic efficiency and thereby their ability to compete effectively.

Further, this modification also ensures that all holders of Enduring Annual NTS Exit (Flat) Capacity are treated on the same basis. Under the existing arrangements, certain Users (those who satisfy the User Commitment Amount in within the 12 months of being required to pay for the exit capacity) are not subject to the 14 months' notice period.

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Finally, by giving investors greater certainty over their potential financial exposure to exit capacity charges, this modification improves the environment for those investing in gas infrastructure, facilitating entry into the market which should, in turn increase effective competition.

CSL also agrees that by reducing the lag between when National Grid NTS provides the exit capacity charge signal and when Users' responses to that signal can take effect, the modification improves National Grid NTS's compliance with article 16(2) of EC Regulation 715/2009, which obliges the "transmission system operator [to] implement ...non-discriminatory and transparent capacity allocation mechanisms, which shall: (a) provide appropriate economic signals for the efficient and maximum use of technical capacity ...;". Therefore this modification improves National Grid NTS's ability to comply with European Regulation (relevant objective (g)).

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?

This modification should be implemented as soon as practicable, preferably before the 2013 exit capacity application period.

Legal Text:

Are you satisfied that the legal text [and the proposed ACS (see www.gasgovernance.co.uk/proposedACS)] 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.