

Representation - Draft Modification Report 0534S

Maintaining the efficacy of the NTS Optional Commodity ('shorthaul') tariff at Bacton entry points

Responses invited by: **10 September 2015**

To: enquiries@gasgovernance.co.uk

Representative:	Richard Fairholme
Organisation:	E.ON UK
Date of Representation:	9 September 2015
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

This Modification Proposal, if implemented, would allow Shippers to continue to minimise unnecessary charges for gas transportation routes which would otherwise be eligible for the optional commodity ("shorthaul") charge. The primary purpose of the shorthaul tariff is to avoid inefficient bypass of the NTS and removing this possibility (or at least significantly reducing it by the non-implementation of this Modification Proposal) has the potential to lead to inefficient outcomes for both the network and its Users.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

Given the likely lack of agreement between Shippers and Transporters about the User Pays costs, we believe this should no longer be self-governance and should be referred to Ofgem for a decision, but note that this would likely extend the implementation beyond the target date. Given the disagreement over allocation of costs, we believe Ofgem should have exercised its right to "call in" this Mod already.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

As soon as practicable, after 1 October 2015.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

Implementation would lead to no additional costs, but it is likely that non-implementation would result in an increase in costs for many shippers.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes.

Modification Panel Members have requested that the following questions are addressed

Q1: Views are sought on the allocation of User Pays costs and whether Transporters or Shipper Users should fund these?

Given that this Mod is required because of forthcoming changes driven by legally binding European Codes, which both transporters and shippers are obliged to comply with, and that the shorthaul tariff provides benefits for both National Grid NTS and Shippers, a split of 50% Shippers and 50% National Grid NTS would seem appropriate. However, we note that Shippers (and ultimately their customers) will pay for the cost of this change whether it is via the Transporter's allowed revenue or directly, via User Pays charges.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

No.

Please provide below any additional analysis or information to support your representation

No.