

## Representation – Urgent Workgroup Report 0560

### Addressing under-allocation of flows from BBL arising from misalignment of reference conditions

Responses invited by: **17 November 2015**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	John Costa
<b>Organisation:</b>	EDF Energy
<b>Date of Representation:</b>	17 November 2015
<b>Support or oppose implementation?</b>	Oppose (with qualifying statements)
<b>Relevant Objective:</b>	<b>d)</b> Negative <b>g)</b> Negative

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

While we support the principles of this Urgent modification and solution we cannot support it on the grounds that it proposes retrospective application from the 1<sup>st</sup> October 2015 given that this issue and impact on BBL shippers was highlighted well in advance. Indeed Ofgem made reference to the issue for BBL shippers in its June 2015 decision letter implementing the enduring solution under modification UNC 519 “Harmonisation of Reference Conditions at Interconnection Points” which was raised in November 2014.

The issue this modification is trying to resolve is similar to that raised under UNC 519, namely that the Interoperability code will introduce harmonised reference conditions across Interconnector points that, when combined with the “matching nominations” and “allocate as nominate” requirements under the EU Balancing code, a discrepancy is created between the amount of energy allocated to that actually delivered. This leaves importing shippers over-delivering gas which will not be allocated to them and exporting shippers under-delivering on their nomination. UNC 519 resolves this issue from 1<sup>st</sup> May 2015 however this situation manifests itself at the BBL interconnector from the 1<sup>st</sup> October as the Netherlands already operates to 0/25 reference conditions and because the EU Balancing code takes effect from 1<sup>st</sup> October 2015. This issue for BBL shippers was highlighted during the UNC519 process however a solution was not formally raised to deal with this despite the discussions held until UNC 560 was raised 30<sup>th</sup> September 2015.

However we believe there is merit in UNC0560 given that it resolves the problem BBL shippers are experiencing by reconciling actual physical delivery through the manual correction of energy balancing invoices of affected shippers. As such if the

implementation date was changed to a prospective implementation date we would support the proposal as this would better facilitate the Relevant Objectives.

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

N/A

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

We believe this modification, if Ofgem implements it, could be implemented from the earliest date possible going forward and needs no lead time as the solution has been clearly explained to affected parties.

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

It was stated that the rest of the Shipper community would not be exposed to this proposal and therefore EDF Energy is not expecting any costs if it is implemented.

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

Yes.

**Additional Workgroup Question for this Consultation:**

*Are any of the Ofgem conditions for retrospectivity satisfied? (see the Appendix in the Workgroup Report for details)*

We do not believe that any of the three Ofgem conditions for retrospectivity listed in the Workgroup report have been met. This is not an issue created because of central arrangements changing and it wasn't an issue that could not have been reasonably foreseen for the reasons stated above. The requirements from the Balancing code were already known to come in from 1st October and Netherlands already operated to 0/25 temperature reference (not a new thing as the workgroup report states) and the issue is reference by Ofgem itself in implementation of the enduring solution under UNC modification 519, published 25th June 2015. Therefore while we sympathise with the proposer and other BBL shippers and that some work was being undertaken over the summer to address the issue, we believe a modification could have been raised earlier. Had an Urgent modification been raised earlier when the issue was first flagged this would have negated the need for retrospective application.

Concerning the third and final criteria about "flagging the possibility of a retrospective action clearly to participants in advance, allowing the detail and process of the change to be finalised with retrospective effect" while there was discussion about a solution over the summer we are unaware of any solution that was shared with participants in advance.

**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.*

Yes. Some of the text in the workgroup report is incorrect or misleading. For example, in the “Why change” section it states that BBL is implementing 0/25 reference conditions earlier than NG but the truth is BBL has always operated to 0/25 conditions. And even if it were that BBL changed to 0/25 as of 1<sup>st</sup> October, this is not the fact that created this problem; its because of the implementation of the EU Balancing code and requirement to match nominations and “allocate as nominate” by TSOs on either end of interconnectors that creates this discrepancy in energy allocated vs actually flowed.

It is also not the case that BBL shippers will have an “imbalance” as a result of this, at least not commercially under UNC rules - they get allocated as nominated. It’s the lost energy from converting to 15/15 reference conditions (if importing to GB) which they would like to get reimbursed for under this modification. This is where the £700k impact comes from – energy that is spilled into the NTS.

It would have been useful to better clarify these points on behalf of readers who may not be so familiar with these complex arrangements at Interconnector points.

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

N/A