

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

Representative:	Lucy Manning
Organisation:	Gazprom Marketing & Trading Limited
Date of Representation:	16 November 2015
Support or oppose implementation?	Support
Relevant Objective:	d) Positive g) Positive

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

The EU Network Codes require TSOs to implement matching and allocation procedures by 1 October 2015 and align reference conditions for measuring volume and CV by 1 May 2016. As a result of the misalignment in implementation dates and interactions between these processes, between 1 October 15 and 1 May 16 Users at the BBL IP will be under-allocated, resulting in a loss of gas and erroneous imbalance charges for those Users. This is an unforeseen and unintended consequence of the misalignment of implementation dates for the applicable Codes.

If implemented, this modification would remove the negative and unfair impact on those Users by applying a correction. The proposed correction is in line with the principles of, and has the same financial impact as, modification 0519 - which provides for permanent systems changes when the alignment of reference conditions takes place on 1 May 2015. Modification 0519 has already received the relevant approvals after being judged to be a suitable solution. However at the time 0519 was developed it was not foreseen that, in addition to the permanent change, an interim solution would also be required. This modification, 0560, was developed and raised as soon as NGG encouraged stakeholders to do so, and proposes a sensible and appropriate solution given the development and outcome of modification 0519.

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

We agree with the proposer that this is not a self-governance modification.

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

The modification ought to be implemented as soon as possible to reduce the time that it applies retrospectively and minimise undue negative impact on Users and NGG. Like 0519, modification 0560 prevents cross-subsidisation via the shrinkage mechanism due to additional gas entering the NTS from BBL.

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

None.

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 agree with the proposer that all 3 of Ofgem's conditions for retrospectivity are satisfied, for the reasons stated in the modification report and after participating in the discussion with stakeholders at workgroup.

We do not believe that qualifying as an urgent modification should exclude any modification from having a partially retrospective nature; whether the conditions for urgency and retrospectivity are satisfied should be considered separately and on their own merits.

We are of the opinion that:

- 1) Modification 0560 could not have been developed until after it became clear NGG was unable to fix the problem without a User raising a modification (August), and
- 2) Modification 0560 was submitted at the earliest possible moment and before 1 October

It was therefore unavoidable that this modification was developed post 1 October. Implementing the modification as soon as possible will minimise any impact arising from its retrospective nature.

NGG has stated that the impact of implementing this modification on Users who are not active at the BBL IP is not material, taking into account the total value of 'lost' gas during the 7 months.

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.*

We believe the modification is correct and complete.

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

None.