

Representation - Draft Modification Report UNC 0730

COVID-19 Capacity Retention Process

Responses invited by: **5pm on 05 November 2020**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	David Mitchell
Organisation:	Scotland Gas Networks and Southern Gas Networks
Date of Representation:	5 th November 2020
Support or oppose implementation?	Oppose
Relevant Objective:	a) Negative d) Negative
Charging Relevant Objective:	c) Negative

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

SGN is unable to support this modification as we don't believe that it will further the relevant objectives that have been set out in the modification report.

If this modification is implemented, it would allow Shippers to withhold capacity on the network which could otherwise be released to other system users. If capacity is withheld there is a risk that consumers who want to increase their capacity or have a new connection may have to pay to reinforce the network. There is no guarantee that the Shipper benefiting from the ability to withhold the capacity will see their site return to its previous levels of demand, therefore the capacity may be needlessly withheld from those wishing to use it. We therefore believe that this modification would have a negative impact on relevant objective (a) *efficient and economic operation of the pipeline system* as it would result in other system users not being able to use the spare capacity. The modification would also have a negative impact on relevant objective (d) *securing of effective competition*, as although the modification considers that the arrangements would be more cost-reflective based on the actual system usage of an isolated site, we consider the withholding of unused capacity to be less cost-reflective, as a proportion of parties' costs would become decoupled from their access to the network.

We also believe that Charging Relevant Objective (c) will be negatively impacted as this change will re-distribute costs from one party to another, creating a cross-subsidy

whereby the original Shipper retains capacity at a discounted rate, while the rest of the market incurs increased charges without benefit.

In addition to the above concerns, we are mindful that the modification states that it seeks to provide relief to customers adversely impacted by COVID-19 arrangements, however we note there are no obligations on Shippers to pass on the benefits of this modification to their consumers. As such it is not clear whether this consumer benefit would be realised.

Our last observation is that this modification is dependent on the site having previously isolated using by using the process introduced by modification 0723. Relatively few sites have been isolated through 0723, therefore we believe that this modification would deliver minimal benefit to consumers while increasing the market's general risk profile through the creation of less stable, and less cost-reflective, charging arrangements.

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

We would support an implementation date shortly after an authority decision subject to any CSDP system changes.

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

SGN does not foresee any impacts or costs to its internal systems, however we would potentially see an impact to our revenue which would have to be reconciled and recovered at a future date when we set out annual tariffs.

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

We are satisfied with the legal text and have no comments to add.

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.*

None identified.

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

No further comments.