

## Representation - Draft Modification Report

UNC 0716 0716A

### Revision of Overrun Charge Multiplier

Responses invited by: **5pm on 09 July 2020**

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

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

<b>Representative:</b>	Kirsty Ingham Kamila Nugumanova
<b>Organisation:</b>	ESB
<b>Date of Representation:</b>	09/07/2020
<b>Support or oppose implementation?</b>	Support/Oppose/Qualified Support/Comments * <i>delete as appropriate</i>  0716 - Oppose  0716A - Support
<b>Expression of preference:</b>	<i>If either 0716 or 0716A were to be implemented, which would be your preference?</i>  0716A
<b>Relevant Objective:</b>	<b>0716</b>  a) None * <i>delete as appropriate</i>  d) None * <i>delete as appropriate</i>  <b>0716A</b>  a) Positive * <i>delete as appropriate</i>  d) None * <i>delete as appropriate</i>

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

**0716**

As stated in our initial representation dated 13 March, we believe there is insufficient justification for using historical booking and overrun data for setting the overrun multiplier for the new regime. We believe that historical data is based on a completely different capacity charging regime with weaker incentives for shippers to book sufficiently adequate capacity in advance. Going forward, there will be a sufficiently penal regime that is likely to moderate capacity booking behaviour. The original UNC 0716 proposal does not take into account this expected change in capacity booking patterns.

Furthermore, the proposed 'status quo' approach is not reflective of material changes and developments in the use of gas networks. As noted in our initial submission, the current level of multiplier was set at the peak of gas usage both in power and gas markets. At the time of setting the multiplier levels, overruns were a direct indication of need for more capacity or capital costs for TOs. In the current market the gas network is becoming increasingly under-used, with growing spare capacity and no investment requirements into further capacity. Therefore, a significantly punitive overrun regime is no longer required as there is no evidence of significant additional costs triggered by occasional 'unintended' overruns.

**0716A**

We believe this alternative better supports the transition into the new charging regime while taking into account a significant expected change in booking behaviour. The proposed level of multiplier (x1.1) is sufficient and optimal to encourage accurate capacity bookings from shippers while maintaining safe and secure network operation at the lowest cost to consumers. Given the increasingly flexible nature of power and gas markets, it is our view that this solution will also deliver the best value to end consumers as the pass through charges in the event of unintended overrun will be as low as possible.

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

**0716**

Oct 2020- aligned with UNC0678 implementation

**0716A**

Oct 2020- aligned with UNC0678 implementation

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

**0716**

Costs associated with updating internal systems, processes, forecasting tools. Impacts include limited scope for managing and mitigating the increased cost risk from overrun

charges due to the additional economic risk from the greater capacity cost burden under 0678A.

**0716A**

Costs associated with updating internal systems, processes, forecasting tools etc. Impacts include improved scope, in comparison to 0716 above, for managing and mitigating the increased cost risk from overrun charges due to the additional economic risk from the greater capacity cost burden under 0678A.

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

**0716**

Yes

**0716A**

Yes

**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.*

**0716**

No further comments

**0716A**

No further comments

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

**0716**

We would like our initial submission in response to UC0716 to be considered alongside this response.

**0716A**

No further comments