

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

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

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| Representative: | Anna Shrigley |
| Organisation: | Eni Trading & Shipping SpA |
| Date of Representation: | 9 July 2020 |
| Support or oppose implementation? | 0716 - Oppose 0716A – Support |
| Expression of preference: | <i>If either 0716 or 0716A were to be implemented, which would be your preference?</i> 0716A |
| Relevant Objective: | 0716 a) None d) None 0716A a) Positive d) Positive |

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

We object to Mod 716 for the following reasons.

The proposer of Mod 716 acknowledged that “the historic reason for implementing x8 multiplier is unclear”. This existing 20-year-old arrangement seems to be designed to work with conditions when the demand for gas is high and when there are periods of capacity scarcity on the network. However, since then, significant structural changes to the GB gas transmission network have taken place and for quite some time the historical records show that:

- there is spare capacity at the majority of gas transmission points (Ofgem GTCR documents);
- there is a low level of competition for short-term capacity products (unsold capacity) despite the fact that most of the capacity is secured on a short-term basis at zero price (Ofgem GTCR documents); and
- there is a significant number of recorded capacity overruns despite the fact that users can book capacity at zero price on a short-term basis (NG analysis for Mod 716).

Taking the above in account, it is hard to understand why the proposer of Mod 716 is merely seeking to maintain the “status quo” when clearly this is no longer an adequate arrangement, even for the current gas charging regime when the short-term capacity price is zero.

Shipper licences already set broad requirements on any operator to “act in a reasonable and prudent manner in the use it makes of a relevant transporter’s pipeline system for the purpose of the conveyance of gas”. Therefore it is appropriate to change the overrun UNC arrangement in such a way that the level of overrun penalty incentives shippers to book sufficient capacity but at the same time does not burden them with excessive and improper fines if sometimes they unintentionally make administrative errors and encounter capacity overruns.

In the future, the need for reducing the overrun multipliers is even greater because the expectation is that the risk of overrun will increase. This is because, in the new regime the capacity reserve price will be at a much higher level than in the current one, and users will aim to book capacity much closer to their forecasted gas flows but the unreliable nature of gas allocations will persist. Therefore a higher number of instances of capacity overruns can be expected.

On the other hand, we support Mod 716A because the proposer of this mod addressed all issues that are highlighted above by proposing the level of 1.1 of Overrun Charge Multiplier that is adequate for the current GB gas transmission network.

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

0716A should be implemented by October 2020, i.e. at the same time when the new charging regime will entry into force.