

Joint Office

enquiries@gasgovernance.co.uk

29 October 2020

Dear Sir or Madam,

Re: UNC0730 - COVID-19 Capacity Retention Process

Thank you for the opportunity to provide representation on the above noted Modification Proposal. Please find below Northern Gas Network's (NGN) comments in respect of this change.

NGN opposes this Modification Proposal.

Reason for support/opposition:

Please summarise (in one paragraph) the key reason(s)

This modification proposal looks to introduce capacity retention as a concept into the UNC. This results in capacity being retained, without full charge, and not being released to be available for use by any other Shippers. We believe this to be negative against Relevant Objective (d) *Securing of effective competition*

Whilst we would be receiving less revenue for these sites, the cost of maintaining the pipeline would remain the same. This difference, as per our licence, would need to be socialised resulting in a potential price change with any shortfall being funded by the rest of the Shipper community. In view of this we believe it to be negative against not only Relevant Objective (a) *efficient and economic operation of the pipe-line system* but, more specifically, Relevant Charging Methodology Objective (a) *compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business*.

Self-Governance Statement:

We agree that this should Authority Direction due to the fact that this modification is impacting charging and had originally requested urgency.

Implementation:

Should Ofgem approve the modification, it could be implemented once the CDSP have put in place the required system changes to be able to identify applicable sites, and to be able to process the charge.

Impacts and Costs:

What analysis, development and ongoing costs would you face?

Whilst the modification proposal states that *For the avoidance of doubt, we are not proposing the introduction of a new capacity charge type instead we are proposing the application of a reduction to existing charges where applicable*, the charge would need be able to be identifiable to transporters so that they can effectively report and monitor Capacity Charges.

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This proposal would reduce the collected revenue whilst not changing the capacity. As a result, there would be an impact on the collected revenue whilst there is would be no change to the allowed revenue, which will result in price changes being needed to account for this.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the Solution?

We believe the legal text provided would deliver the Solution set out in the modification.

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.

Should this modification be introduced, there is no guarantee that the savings would filter through the supply chain to benefit the end consumers. It should be noted that there are a number of government schemes currently in place that are targeted at the end consumer. These offer direct financial support (grants etc) for COVID-19 related issues to businesses not only mandated to close, but also businesses where they are permitted to open but there has been an impact to their trading.

This modification is directly linked to sites isolated under 0723U. As the proposer of this original modification I am aware that there is currently no way for the CDSP's systems to identify whether a site that is isolated has done so against either the 0723U legal text or standard UNC. The 0723U text (TDVI 3) is an 'on paper' isolation where companies are mandated to be closed under the COVID-19 regulations, and these sites are still capable of flowing gas. Standard UNC (TPD G7) isolations have had siteworks take place to ensure they are not capable of flowing gas, and therefore would be sites not applicable for any capacity reduction under this proposal.

Whilst I accept that in theory once a piece of code is implemented, it can therefore be referenced or used by another piece of code, the spirit of 0723U was to provide an immediate avenue of relief of some of the impacts of COVID-19 to industry in relation to Allocation & Settlement. 0723U was therefore drafted in such a way as to avoid requiring CDSP system changes that would delay the implementation. In view of this, as this proposal relies on being able to identify sites isolated under 0723U, it may be that 0730 is not implementable without high cost, and complex, lengthy system changes. This system development could delay, or completely remove, any benefits being gained by the Shipper.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

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