

Representation

Draft Modification Report

Modification Report UNC 0696:

Addressing inequities between Capacity booking under the UNC and arrangements set out in relevant NExAs

1. **Consultation date:** 12th September 2019
2. **Respond to:** enquiries@gasgovernance.co.uk
3. **Organisation:** Gazprom Energy
5th Floor
8 First Street
Manchester
M15 4RP
4. **Representative:** Steve Mulinganie
Regulation Manager
stevemulinganie@gazprom-mt.com
0799 097 2568
5. **Date of Representation:** 9th September 2019
6. **Do you support or oppose Implementation:**
We **Support** implementation of the Modification
7. **Please summarise (in 1 paragraph) the key reason(s) for your position:**
We raised Modification 0696 to retrospectively address a matter of **material Consumer detriment** (circa £400k) due to a contradiction arising between the arrangements as set out in a NEXA agreement, which is an agreement between a Consumer and a Transporter, and the arrangements under the Uniform Network Code (UNC), which is an agreement between a Shipper and a Transporter. This led to the Consumer being charged for capacity in accordance with the UNC during a period when they were prohibited from accessing that Capacity under the NEXA.
8. **Are there any new or additional Issues for the Modification Report:**
No

9. Self-Governance Statement Do you agree with the status?

NA

10. Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We believe that this modification is positive in respect of Relevant Objective **(C) & (F)** as this would introduce a process improvement to ensure that all relevant information is considered when reviewing a capacity request.

11. Impacts & Costs:

What analysis, development and on-going costs would you face if this modification was implemented?

We **have not** identified any significant costs associated with this modification

12. Implementation:

What lead times would you wish to see prior to this modification being implemented, and why?

We would request implementation ASAP

13. Legal Text:

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

We have **no** comments on the Legal Text provided.

14. Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that you believe should be taken into account or you wish to emphasise.

We would note that since raising our Modification a Transporter, Northern Gas Networks (NGN), has raised Modification UNC 0701: Aligning Capacity booking under the UNC and arrangements set out in relevant NExAs. This modification, although not considered an alternative to our modification, includes within its scope the same remedy as our proposal albeit it does not provide for retrospection.

We believe this clearly acknowledges and recognises that the current arrangements are not considered fit for purpose and can lead to material Consumer detriment.

Prior to raising this modification, we would also note that following the identification of the issue we entered into **extensive discussions** with the relevant Transporter including at CEO level. Whilst our Customers concerns were acknowledged the Transporter was unable to address the issue due to constraints within the current drafting of the UNC. **It was noted that to address the concerns raised would require us to modify the UNC** and accordingly we have raised this modification.

Our targeted proposal was developed following the detrimental impact of the current arrangements affecting one of our Customers and the inability of the relevant Transporter to be able to remedy the situation due to the current arrangements as set out in the UNC.

Accordingly, our proposal has a **limited period of retrospection** to enable appropriate restitution to be afforded to that Customer.

In considering the application of retrospection we would note the following: -

“a situation where the fault or error giving rise to additional costs or losses was directly attributable to central arrangements”

We would note the current arrangements in the Uniform Network Code can give rise to a situation where the Customer can be charged for Capacity by a Transporter whilst at the same time being prohibited from taking that Capacity by the Transporter. This occurs as the current processes can allow registration of capacity under the UNC whilst at the same time its use is prohibited under the NEXA.

“combinations of circumstances that could not have been reasonably foreseen”

Under the current arrangements, the relevant **Transporter is the only party who is both a party to the NEXA and also the UNC** including being the relevant party who also approves UNC capacity referrals. Neither the Customer nor the Shipper are party to both the NEXA and UNC and therefore would not have been able to reasonably foresee the circumstances arising.

In requesting retrospection we have sought to **minimise the period of retrospection** by developing a targeted solution which meant that **only a limited development period was required** before the UNC Modification Panel determined that the Modification proposal could be issued to consultation.

The **period of retrospection is limited back to the 1st September 2018** to ensure that it addresses the material detriment caused to the Customer whilst also minimising any broader market impact. During the development period, we have **not been made aware of any other party being identified as having suffered material detriment** during the proposed period of retrospection.

In considering the cost/loss incurred as a result of the prevailing rules we would note the affected **Customer is a provider of services and products that are critical to the UK**. As a major employer of multi skilled and diverse operational team the additional and unforeseen charges that the existing paradigm provides could give rise to negative decisions on the future investment into the operational developments at site. This modification proposal will ensure that future growth planning will have some risk reduced. The additional **material cost of capacity is circa £400,000** for the period during which the Customer was prevented from utilising the relevant capacity.

We would also note that we have **not been made aware of any consequential impact arising from the erroneous sterilisation of capacity** during the relevant period.