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Ofgem's consultation - UNC678/A/B/C/D/E/F/G/H/I/J: Amendments to Gas Transmission Charging Regime: minded to decision and draft impact assessment

EDF Trading's response to selected question

Question 1: What is your view of our assessment that Postage Stamp is a more appropriate RPM in light of the circumstances of the GB network?

Despite agreeing that Postage Stamp can be a suited pricing method for recovery of costs in a network with declining usage and spare capacity EDF Trading believes that there is still some merit in retaining cost-reflective locational charging such as CWD. In fact, the possibility for many NTS Entry / Exit points to be in need of new capacity remains to some degree.

Question 2: Do you agree with our assessment that maintaining the FCC methodology in the UNC improves the transparency and consistency of governance compared to maintaining the FCC Methodology outside of the UNC?

Yes, EDFT stresses the importance of having transparent and reliable data to determine FCC and clearly defined processes to modify the methodology if/when required.

Question 3: What is your view on our assessment that the PS RPM would be preferable to the CWD for future green gas market entrants?

EDFT has no specific views on green gas market entrants considering the limited availability of information. It is worth noting that predictable and stable charges are an element appreciated not only by new entrants but also by established users.

Question 4: What are your views on our assessment of the quantitative analysis?

No views

Question 5: What are your views on our assessment of the modification options presented to us against the applicable UNC objectives?

Since, in principle, the PS methodology is presumably resulting in higher tariffs than CWD for entry-exit combinations located at short distance and this may increase the incentive for bypass of the gas network, it would be useful to retain the possibility to implement a clearly designed optional charge (NOC) to avoid that. We welcome Ofgem openness on this point and encourage to consider appropriate and well-designed and justifiable discounts.

Worth noting that any changes to optional charge regime intended for implementation as of 01st Oct 2020 must be decided on and notified to the market in a timely manner, ideally at least 3 months in advance.

Question 6: What are your views on our conclusion that only two modifications UNC678 and UNC678A - are compliant with the relevant legislation? If you disagree, please provide a fully reasoned explanation.

No views

Conclusion – Minded-to decision

Question 7

- a) **Given our conclusion that only two modifications are compliant with the relevant legislation, what are your views on our minded-to decision to approve UNC678A rather than UNC678?**
- b) **Do you consider our minded-to decision to appropriately reflect the principles based assessment and quantitative analysis presented in this report?**
- c) **Do you agree it best facilitates the relevant objectives?**

No views

Question 8: What are your views on our assessment that the proposed RPM (PS under UNC678A) achieves, inter alia, the following objectives:

- a) **enables network users to reproduce the calculation of reference prices and their accurate forecast;**

The Postage Stamp methodology seems to allow for an easier way to calculate reference price forecasts. However, as stated above the CDW may be considered a more suitable cost-reflective methodology to be used considering current network's needs. Also, the calculation of reference prices depend heavily on the accuracy and reliability of FCC data which ideally should allow network users to have visibility of prices in the longer run.

b) presents a better option than CWD for the recovery of the costs of the gas transmission system in the presence of a meshed network characterised by spare capacity and declining usage, and where cost-reflectivity is less relevant;

No views

c) ensures non-discrimination and prevents undue cross-subsidisation (you may refer to the results of NGGT's Cost Allocation Assessment ("CAA") published as a subsidiary document to this consultation);

No views

d) ensures that significant volume risk related particularly to transports across an entry-exit system is not assigned to final customers within that entry-exit system;

No views

e) ensures that the resulting reference prices do not distort cross-border trade?

Question 9: What are your views on our minded-to decision that implementation should take place from 1 October 2020 to coincide with the start of that gas year?

EDFT fully agree that any implementation implying changes to tariffs could only be implemented in parallel to the gas year and not at any other point during the year as this would imply commercial issues.

Question 10: Are there any other matters, whether or not addressed in our analysis or minded-to findings, which you think we should take into account in reaching our final determination?

Despite agreeing on the implementation date at the beginning of the gas the year on 01 October, EDFT has concerns on the timeframe for publication of the changes in tariff as these are likely to remain unpublished until later in the year (in the second half to the year). EDFT encourages the publication of such changes in the shortest timeframe following the final decision.

The response is not to be considered confidential.

Yours faithfully,

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