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Corona Energy response to the public consultation on the Oil & Gas UK proposal to amend the Gas Network Codes CAM and BAL in order to retain the UK Gas Day

Thank you for providing the opportunity for Corona Energy (CE) to respond to the public consultation on the Oil & Gas UK proposal to amend the Gas Network codes CAM and BAL in order to retain the UK Gas Day.

CE is a shipper and supplier of gas to the non-domestic market. Our customers include small businesses and large industrial and multi-site customers. Our multisite customers consist of large commercial organisations as well as government departments and local authorities which are supplied through a number of framework agreements.

All gas held by CE is sourced at the National Balancing Point (NBP). We do not have any long-term contracts with suppliers from countries in the European Economic Area (EEA). As a downstream player, CE is not directly exposed to any of the upstream costs associated with modifying the "upstream" Gas Day as identified by the proposer, however, we are concerned with the potential consequences which may arise if "upstream" and "downstream" operate on different Gas Days.

As set out in the proposer's submission, the UK gas market is highly complex and developed on the back of significant indigenous UK gas reserves. It is the most competitive gas market in Europe, with a impressive record in both retail and wholesale markets resulting in the NBP being the most liquid and transparent trading hub in Europe. The gas pipeline interconnectors with the continent are the most price responsive in Europe over a period where Gas Days either side of the connecting pipelines are misaligned.

On this basis, and not withstanding our general desire for harmonisation across Europe, we see little or no benefit harmonising the Gas Day in the GB gas market. Harmonisation should only be considered appropriate where there are undisputable net benefits to the EU market.

Corona Energy is unable to comment on the upstream costs identified by the proposer, however, the costs to downstream parties are not insignificant. These costs will be direct and indirect in nature and are detailed below:

Direct Costs

- Changes to internal systems.

- Funding of changes to central TSO systems via increases to transportation charges.

- Administrative changes, including: variations to contracts and processes.

Indirect Costs

- Costs which be passed down the supply chain to recover costs of operating allocation interface arrangements e.g. new allocation processes at entry terminals to accommodate different Gas Days upstream and downstream.

- Flight from the NBP. In the event that arrangements are put in place, interim or otherwise, to allow gas allocations to be executed for any period where the offshore and onshore Gas Days are misaligned, then unless these arrangements precisely match shipper expected allocations, there is a liquidity risk for the NBP. Corona Energy is concerned that shippers which currently receive gas at an entry terminal for future disposal at the NBP may elect to move their trading activity to the "beach" in order to mitigate against the risk of a misallocation (where allocation is scaled to accommodate a the misalignment of the Gas Day). Clearly, any movement of trading away from the NBP will be detrimental to downstream shippers who rely upon a liquid hub to source supplies of gas.

- Any deterioration in NBP liquidity will have a negative impact on the downstream retail markets and be at odds with the EU Third Package aim to increase competition and provide customers with energy at fair prices.

For the reasons set out above, CE does not perceive any net benefits on changing the Gas Day in the UK market. In line with the observations made by the proposer we believe there will be a net cost for EU customers if liquidity at the NBP market diminishes.

Corona Energy supports the implementation of the Code change proposal.

Yours sincerely,

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