



Member of The Linde Group

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8th May 2019

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To Whom it May Concern

RE: UNC Modification 0678 Amendments to Gas Transmission Charging Regime

We are writing as a large industrial Gas consumer operating in Teesside to ask you to consider the impacts associated with potential changes to the 'Short-haul tariff' or NTS Optional Commodity Charge (NOC).

We are deeply concerned by some of the proposed changes which could potentially eliminate the short haul benefits which BOC benefit from.

The BOC Teesside Hydrogen Plant site is located less than 1 km from a Gas Entry Points and we have regularly tested the business case to invest in a direct pipeline connection and by-passing pre-existing NTS. As an Industrial Gas supplier in the Teesside area then we already own and operate many tens of kilometres of pipelines supplying oxygen and nitrogen to industrial users. We therefore have the knowledge and capability to be able to design and build such a natural gas pipeline with minimal investment risk.

With the short haul benefits that exist then BOC continue to utilise the NTS and in doing so contribute a level of revenue towards both sunk and future network costs. In absence of charging arrangements fairly and appropriately reflecting bypass options, the overall burden of network costs and transporters revenues will fall on other gas consumers.

Whilst I am sure one of the outcomes intended from the proposed modification variants of 0678 is to share costs wider, and therefore reduce costs to consumers not enjoying short haul benefits, I believe that BOC will be just one of many industrial users who will seek to install direct connections to entry points and therefore perversely increase costs for other

users. In the Teesside area alone, there is already a group of 'consortium' partners who could easily collectively install a new local supply grid. Even in isolation BOC have already established that our payback to directly connect would be favourable.

I understand that there is a separate Mod 670 which is reviewing the charging methodology which may provide the solution to avoid the intent of the short haul benefits from being distorted by users many miles away from entry points against which the business case to by-pass the NTS must be limited. Progressing options under Mod 678 in which short haul benefits are lost altogether rather than refining the model under Mode 670 feel like throwing the baby away with the bathwater!

BOC have minimal regulatory resource to fully examine and engage with the whole panel process and provide expert opinion on each of the modifications presented. However as noted in Panel's modification report, Mods 678, and variants A,C,E and F contain no provision to manage the inefficient bypass of the NTS and therefore any reduction in short haul benefit will trigger an investment review .

We strongly urge both Panel and Ofgem when considering the Modifications, to consider that economic benefits for current and future gas consumers in maximising the utilisation of network capacity, recognising the very material risk of bypass, and the contribution (c£34m) shorthaul sites make toward transporter revenues.

We look forward to a balanced and sensible outcome that reflects the real risk of bypass, does not create a cross subsidy for those who do not have a credible alternative, and importantly reflects the interests of all 25m gas consumers.

Yours sincerely

Grant Holland

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Utilities Manager

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