

Penny Garner
Joint Office of Gas Transporters
Radcliffe House,
Blenheim Court,
Warwick Road,
Solihull,
B91 2AA

08 May 2019

Dear Penny,

RE: UNC Modification 0678 Amendments to Gas Transmission Charging Regime

We are writing collectively as significant industrial Gas consumers to ask you to consider the impacts associated with changes to the 'Short-haul tariff' or NTS Optional Commodity Charge (NOC).

Whilst we fully support development of the UNC and its charging arrangements and the critical importance of harmonising tariff structures for interconnected markets, we believe the loss or material increase in shorthaul tariffs will lead to inefficient use of network infrastructure and, importantly increase overall costs for 25 million gas consumers.

It is a matter of fact that a number of large Gas consumers, including industrial sites and Power generators are sited within close proximity to Gas Entry Points. In many circumstances there is an overwhelming economic case for investing in a direct pipeline connection and by-passing preexisting network infrastructure.

As a result of this, third party access arrangements and the network charging framework were all developed to ensure such consumers continued to utilise national infrastructure, increase market liquidity by sourcing energy through wholesale markets, and importantly, contribute an economically efficient 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.

Importantly, and as stated in its decision letter, TAR NC requires Ofgem to assess the cost-reflectivity of the NTS Optional Charge (NOC) and that it be broadly reflective of the estimated cost of laying and operating a dedicated pipeline of NTS specification.

Whilst the proposed modification variants of 0678 are not directly intended to reverse this principle, our analysis clearly demonstrates the proposed modifications could increase charges (by up to 55 times from current levels) and that direct connections to entry points would in some instances have a payback in as little as 6 months!

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.

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£35m) 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

Stephen Elliot
Chair, EIUG

Cc

David O' Neill Ofgem

Colin Williams National Grid Gas Plc