



PETRONAS Energy Trading Limited  
One New Ludgate Hill  
60 Ludgate Hill  
London  
EC4M 7AW

Rebecca Hailes  
Joint Office of Gas Transporters  
Lake View House  
Tournament Fields  
Warwick,  
CV34 6RG

9 November 2017

Sent by email to: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

Dear Rebecca,

**Initial representation on UNC Modification 0636**

Petronas Energy Trading Ltd would like to submit an initial representation regarding the aforementioned Modification Proposal. We are keen to ensure that it is as robust as possible and brings an equitable and efficient outcome to industry participants.

The Proposal aims to update the formula for the Optional Commodity Charge with the formula proposed by National Grid in its discussion document NTS GCD11.

Basing the Proposal on Option 2 in GCD11, creates some inconsistencies that we feel need to be assessed by the Workgroup in order to produce the most comprehensive report possible.



### *Contractual arrangements*

We feel that the impact on current contractual arrangements needs to be considered when examining this Modification, as these contracts would have been agreed based on the current gas market arrangements at least up to October 2018, in accordance with the timings of a gas year.

### *Interim changes*

With the transition towards October 2019, this addition to the change portfolio may well hinder rather than help planning i.e. the uncertainty that this brings and the negative impact it may have on investment.

### *End Users*

The proposed timeframe for the adoption of this Modification means that the overall impact on key end users may not have been subjected to an adequate Cost-Benefit Analysis (or those end users having time to assess the impact of the Modification on how they operate).

### *Determination of cross-subsidy*

We feel that a thorough analysis needs to be conducted in order to consider the effects of adopting Option 2. The cross subsidy value (£146m) should be further examined with a clearer methodology as to how this value was reached.

### *Option 2 NTS Discussion Paper GCD11*

As this is the basis of the Modification Proposal calculation, we would encourage the Workgroup to further examine how the derivation of the formula has been calculated<sup>1</sup>. It appears that the extra pipelines added to the portfolio have not been revealed for commercial reasons (according to the Proposer).

For the benefit of a clear, transparent process, it would be best for the Workgroup to further examine this, and also why the additional pipe diameters (610mm; 915mm; and 1200mm) have been included.

It is quite a large assumption to make that NGG would use larger pipeline diameters on current short haul routes.

The current methodology employed by NGG is that specific flow rates and diameters are allocated to a specific pipeline size. Any additions to this pipeline portfolio therefore need to be examined in more detail.

---

<sup>1</sup> The supporting spreadsheet with the all the formulas was only created after the consultation period had ended.  
Page 2 of 3



### *Steel Index*

It would bring more clarity to the industry if the rationale for updating the steel index is addressed. The pipeline infrastructure (and any decisions to invest) would have been made quite some time ago.

Therefore applying a steel index to investments made in the past needs to be examined in more detail.

### *Application of RPI*

Further clarification is needed on linking the formula to RPI. This method appears to be unique to the Optional Commodity Charge. Why is this? Have charges been applied in the same manner elsewhere (i.e. standard commodity charges)? What makes the Optional Commodity Charge different in this regard?

We hope that these points will aid the Modification Proposal process.

If you have any questions concerning these initial points please contact my colleague Geoffrey Sekyere-Afryie ([Geoffrey.sekyere-afryie@petronasenergy.com](mailto:Geoffrey.sekyere-afryie@petronasenergy.com) /020 7925 8686).

Yours sincerely,

A handwritten signature in black ink, appearing to read "Nailesh Rambhai", with a long horizontal flourish extending to the right.

Nailesh Rambhai  
Company Secretary, PETRONAS Energy Trading

