

Joint Office

enquiries@gasgovernance.co.uk

23rd February 2023

Dear Sir or Madam,

Re: 0818 - Releasing of unused capacity under a specific set of circumstances

Thank you for the opportunity to provide representation on the above noted Modification Proposal. Please find below Northern Gas Network's (NGN) comments in respect of this change.

NGN supports this Modification Proposal.

Reason for support/opposition:

Please summarise (in one paragraph) the key reason(s)

We are supportive of this modification as it allows for a gas transporter to more effectively manage the network in relation to demand where there is limited available capacity.

The modification looks to reduce capacity under a limiting set of circumstances, which predominantly would include sites that have continually underused their capacity, and as a result have restricted others connected to the same area of the network from being able to increase theirs, or new sites from being able to connect, without considerable cost to themselves, and disruption to consumers in relation to reinforcement works.

The criteria in the modification would mean that eligible sites, who hold more than 150% of their maximum peak offtake recorded over a number of years, could be reduced to the 150% figure. This still allows for considerable growth within the site, whilst releasing capacity above this figure back to the network. This should result in other sites in the same area of the network being more likely to have new connection requests or existing capacity increase requests accepted without the need for specific reinforcement and the associated costs.

There is an appeal process in place to allow sites to provide evidence, including expansion plans and works, so that sites that have an evidenced need to hold the capacity for future planned development should not be adversely impacted.

We believe, for areas of limited capacity, that by allowing reductions under very specific sets of circumstances whilst still ensuring that those sites maintain at least 150% of their peak usage, and allowing for more effective demand forecasting, as well as maintenance of the transporters 1 in 20 obligations, furthers Relevant Objectives a) *Efficient and economic operation of the pipe-line system*, and c) *Efficient discharge of the licensee's obligations*. The release of this unused capacity on areas where there is limited capacity available increases the chance of approval of a new connection or capacity increase for other sites on the same area of the network thereby furthering Relevant Objective d) *Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii)*

Smell gas?

Call the National Gas Emergency
Service on 0800 111 999

a 1100 Century Way
Thorpe Park Business Park
Colton, Leeds LS15 8TU

t 0113 397 5300
w northerngasnetworks.co.uk

**we are
the network**

between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

Implementation:

What lead-time do you wish to see prior to implementation and why?

This proposal should be implemented upon receipt of approval from Ofgem.

It should be noted that due to the specific annual process timelines specified within the legal text, the 1st notice will need to be sent by 31st May, with any reduction being made during October of the same calendar year. As such, Authority Direction, regardless of when received, will not result in the process not being used until the next 31st May following the direction.

Impacts and Costs:

What analysis, development and ongoing costs would you face?

NGN has sent a separate response, including confidential and commercially sensitive information, directly to Ofgem to support this consultation response.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the Solution?

As proposer, we confirm that the legal text has been written in line with the intent of the modification and will deliver the Solution.

Modification Panel Member Questions:

Q1: Do you have comments on the Modification's impact on sites that may be identified in the future?

The detailed qualification criteria set by the modification, and forming part of the legal text, will continue to restrict the Distribution Networks to only consider proposing a reduction for sites that meet all of the listed criteria. Therefore as future sites will have to be subject to the same criteria and period of assessment, we would expect the eligible site numbers to remain very low, year on year.

Q2: Is the magnitude of the change proportionate to the need?

As proposer we believe the change is proportionate to the need and have submitted confidential and commercially sensitive information separately to Ofgem to support this view.

As specific areas of the network with limited available capacity sometimes have a low number of sites holding the majority of capacity, whilst there is low actual usage, and as a result this prevents a larger number of other sites from either increasing their existing capacity, or new sites from connecting; we believe that the change is proportionate.

Q3: Do you have comments on the mechanism by which the capacity of an end-user consumer could be reduced?

The 0329 Review of Industry Charging and Contractual Arrangements Review groups report notes that 'Ofgem stated that they would welcome any equitable process or incentive capable of driving efficient and effective network investment'. This review group recommendation included *Introduce a requirement for transporters to provide Shippers with details of sites for which the actual SHQ appears to differ from booked, and for Shippers to*

Smell gas?

Call the National Gas Emergency
Service on 0800 111 999

a 1100 Century Way
Thorpe Park Business Park
Colton, Leeds LS15 8TU

t 0113 397 5300
w northerngasnetworks.co.uk

**we are
the network**

confirm whether those SHQs are required or should be adjusted (raised by Southern Gas Networks as Modification 0390). The analysis in relation to the Supply Point Offtake Reduction Notice process (as introduced by 0390) included in this 0818 modification demonstrates that this process is inefficient and that following the issue of the notices by the DNs, responses are not received from shippers in relation to all of the sites, and where a response is received, in the low instance that it is confirmed that a reduction in capacity is to be made, this rarely actually occurs.

Are there any errors or omissions in this Modification Report that you think should be taken into account?

Include details of any impacts/costs to your organisation that are directly related to this.

None identified.

Please provide below any additional analysis or information to support your representation.

NGN has sent a separate response, including confidential and commercially sensitive information, directly to Ofgem to support this consultation response.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

Tracey Saunders (via email)
Market Services Manager (Industry Codes)
Mobile: 07580 215 743

Smell gas?

Call the National Gas Emergency
Service on 0800 111 999

a 1100 Century Way
Thorpe Park Business Park
Colton, Leeds LS15 8TU

t 0113 397 5300
w northerngasnetworks.co.uk

**we are
the network**