



Making a positive difference
for energy consumers

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Joint Office, relevant Gas
Transporters, Shippers and other
Interested parties

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Dear Henk,

Uniform Network Code 0686 (UNC686) - Removal of the NTS Optional Commodity Rate with adequate notice

On 20 June 2019, UNC Panel Members recommended that Uniform Network Code ("UNC") modification 0686 'Removal of the NTS Optional Commodity Rate with adequate notice' (UNC686)¹ should not be implemented. UNC686 was then sent to us² for decision.

UNC686 proposes to remove the National Transmission System ("NTS") Optional Commodity Charge ("OCC") so that the tariff is not available from 1 October 2019. The OCC (also referred to as "Short Haul") was introduced in 1998 with the intention of providing alternative charging arrangements for shippers seeking short distance transportation of gas. The introduction of the OCC aimed to address the risk of inefficient bypass of the NTS. It can be paid by NTS users as an alternative to standard Transmission Owner and System Operator commodity charges ("Standard Commodity Charges").

The OCC is chosen for a significant proportion of total NTS flows. Between April 2017 and March 2018, short haul flows represented approximately 29% of all exit flows on the NTS. Therefore, the removal of OCC may have a significant impact on National Grid Gas and NTS users.

Section 5A of the Utilities Act 2000 places a duty on the Authority to carry out an Impact Assessment ("IA") where (a) the Authority is proposing to do anything for the purposes of, or in connection with, the carrying out of any function exercisable by it under or by virtue of Part 1 of the 1986 Act or Part 1 of the 1989 Act; and (b) it appears to it that the proposal is "important".

A proposal is important for the purposes of Section 5A if its implementation would be likely to do one or more of the following:

- (a) involve a major change in the activities carried on by the Authority;
- (b) have a significant impact on persons engaged in the shipping, transportation or supply of gas conveyed through pipes or in the generation, transmission, distribution or supply of electricity or in the provision of smart meter communication services (in respect of electricity meters or gas meters);

¹ <https://www.gasgovernance.co.uk/0686>

² Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority', 'we', 'our' and 'us' are used interchangeably in this letter.

(c) have a significant impact on persons engaged in commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes or with the generation, transmission, distribution or supply of electricity;

(d) have a significant impact on the general public in Great Britain or in a part of Great Britain; or

(e) have significant effects on the environment.³

We think that UNC686 constitutes an “important” proposal within the meaning of Section 5A, and in particular with regard to (b) and (c) above. As part of our consideration we have taken on board that UNC686 does not propose any mitigations for the significant impacts that it may have on industry stakeholders or consumers. We therefore, consider that we have a statutory duty to carry out an IA before making any decision to accept or reject UNC686.

We shall carry out an IA to explore the impacts arising from the removal of the OCC. For the avoidance of doubt, in deciding to carry out an IA we have made no assessment of the merits of the proposal and nothing in this letter in any way fetters the discretion of the Authority in respect of UNC686.

Yours sincerely,

David O'Neill

Head of Gas Systems, Energy System Transition

Signed on behalf of the Authority and authorised for that purpose

³ <https://www.legislation.gov.uk/ukpga/2000/27/section/5A>