



Gazprom Marketing & Trading Limited
20 Triton Street
London
NW1 3BF

Joint Office for Gas Transporters
Radcliffe House,
Blenheim Court,
Warwick Road, Solihull, B91 2AA

Sent by e-mail to: enquiries@gasgovernance.co.uk

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To: Joint Office of Gas Transporters, relevant Gas Transporters, Shippers and other interested parties

GM&T response to UNC Mod 0728/A/B/C/D: Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS

We welcome the opportunity to respond to this informal consultation, we hope the outcome results in a fully complete optional charging regime that will promote efficient functioning of the NTS and cross border trade.

Support or oppose implementation?

UNC Mod 0728 (National Grid)	Comments	UNC Mod 0728C (RWE)	Comments
UNC Mod 0728A (South Hook Gas)	Qualified support	UNC Mod 0728D (ENI)	Qualified Support (Preference)
UNC Mod 0728B (Vitol)	Comments		

Relevant Charging Objectives

Relevant Objective: 0728 D	Relevant Charging Methodology Objectives:
c) Positive	a) Positive
d) None	aa) Positive
	b) Positive
	c) None
	e) Positive

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

Although all of the proposals better achieve the Relevant Objective than the status quo from 1st October, GM&T is concerned that all the proposals (with the expectation of 0728D), are based on methodologies which in many cases overestimate the costs of building and operating an NTS bypass pipeline. Although the generic assumptions that underpin the discount methodologies provide a degree of transparency, they fail to

reflect the individual cost-drivers specific to each route; in particular they assume that bypass routes will follow a strict entry point to exit point path, without any “infrastructure sharing” between clustered offtakers.

UNC Mods 0728/B/C fail to include a Non-Transmission Services Commodity Charge discount, and therefore will overstate the relative costs of bypass as it is counterintuitive to imply that offtakers will not take into account the full costs of using the NTS when weighting up bypass options. On this basis, we believe that numerous offtakes will pursue bypass options if these proposals are implemented, resulting in a sub-optimal outcome for all UK customers. Mod 0728D more reasonably reflects the costs of NTS bypass.

GM&T is unable to support a solution that does not permit discounts to be applied to transferred capacity. Exclusion of this capacity will artificially limit access to an optional charging product and create broader inefficiencies in the market, and therefore the risk of inefficient bypass will not be reduced where necessary. GM&T has set out detailed views in its [letter sent to National Grid on 3 April](#) and subsequently discussed at the April NTS CMF workgroup.

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

The short lead time provided for the new charging framework has already led to undesirable impacts for Users and customers with the latest tariff publication revealing a whopping 100% increase on the entry tariff, compared to forecasted scenarios.

Therefore delayed implementation of an Optional Charge will further exacerbate a) significant, unwarranted and artificial costs on potential OCC customers and b) the number of potential OCC customers that will implement plans to bypass the network. The result will be damaging to UK industry and inefficient for all GB customers. Should there be any delay to implementation due to administrative constraints, we propose that National Grid does an annual reconciliation that retroactively reimburses users for the optional charging routes that would have been eligible had there not been these issues. Users should not be penalised for the temporary unavailability of optional charging due to such constraints.

Additionally, transferred capacity continues to be excluded from accessing a Transmission Services discount the solution will be sub-optimal resulting in unnecessary costs and additional administrative burdens being imposed on Users and customers eligible for the conditional capacity product

Impacts and Costs: What analysis, development and ongoing costs would you face?

The exclusion of transferred capacity from accessing the conditional discount under all of the proposals, may lead to double bookings as shippers would be forced to acquire entry capacity from National Grid due to the exclusion of secondary capacity from accessing an optional charging discount. Where capacity could previously be transferred from an existing holder, either a third party, or related sister company, then the duplication of capacity purchases will result in overall higher costs, as well as sterilisation of previously acquired capacity. This could lead to network congestion and artificial system constraints.

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

No comment

Q1: Respondents are requested to provide a view as to whether the solution provided within the Modification(s) is fully compliant with the relevant legislation (including, but not limited to, Articles 28-32 of the Tariff Network Code).

All solutions are compliant with the EU Tariff Code. We note that there is explicit reference to the provision of information related to transmission and non-transmission tariffs in Art 30.1.(c) which sets out those tariffs which can be published up to 30 days prior to the tariff period. A discount applied to Non-Commodity charges as set out in 0728A/D is consistent with this Article and can be published in time to enable a 1 Oct 2020 implementation. In addition, as the RRC is not required to be published in accordance with Art. 29, by extension it is a relevant charge for the purposes of Art. 30.

Q2: Respondents are requested to provide views on the proposed implementation date(s).

Please refer to the response above for “implementation”.

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

Please refer to the answer provided for “Impacts and Costs” above

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

We do not believe that Ofgem is required to carry out an Impact Assessment, particularly as the proposals have been discussed and analysed under the workgroup process. The time needed to undertake effectively would delay the implementation of an optional charging solution.

Ofgem’s IA Guidance states that in certain circumstances an Impact Assessment would not be expected to be produced, for example where “the urgency of the matter makes it impractical or inappropriate”.

As Ofgem has agreed that the proposals should undergo “Urgent” procedures, we believe there is already recognition that they qualify for immediate consideration and any delay would result in significant commercial impacts. As such, it would be unreasonable to expect Ofgem to proceed with an Impact Assessment as it would undermine its own direction on the need for urgent resolution

Yours sincerely,

Sinead Obeng

*Regulatory Affairs Advisor
Gazprom Marketing & Trading*

Mauricio Cepeda

*Regulatory Affairs Manager
Gazprom Marketing & Trading*