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UNC Panel Chair, the Joint Office,  
relevant Gas Transporters, Gas  
Shippers, and other interested  
parties

Email: Gas.TransmissionResponse@ofgem.gov.uk

Date: 30 August 2022

Dear Wanda and colleagues,

**UNC modification proposal UNC0817: 'Treatment of Existing Capacity Holding at Easington on creation of the new Rough Storage ASEP' – decision on urgency**

We<sup>1</sup> have received a request from Centrica Energy Limited ("Centrica", "the Proposer") that Uniform Network Code ("UNC") modification proposal UNC0817: 'Treatment of Existing Capacity Holding at Easington on creation of the new Rough Storage ASEP'<sup>2</sup> ("UNC817") should be given urgent status and follow expedited modification procedures. This letter confirms that we have agreed to that request, and sets out the timetable under which the modification will proceed.

**Background**

Centrica is working on the reopening of the Rough gas storage facility with the aim of enhancing Great Britain's (GB's) security of supply over Winter 2022/2023. Prior to 6 April 2017, Centrica acquired long-term National Transmission System ("NTS") Entry Capacity at the Easington Aggregated System Entry Point ("ASEP"), which at the time could be used for entering gas into the NTS from both the Easington Beach entry point and the Rough gas storage facility. The Rough facility subsequently closed in 2017.

<sup>1</sup> 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.

<sup>2</sup> Modification proposal available at <https://www.gasgovernance.co.uk/0817>

As a result of the introduction of the Tariff Network Code<sup>3</sup>, capacity at Storage Connection Points is subject to different requirements from non-storage System Entry Points. National Grid Gas (“NGG”) has created a new Rough Storage ASEP, meaning that capacity can be booked with appropriate discounts and exemptions applied. A consequence of this change is that Centrica are no longer able to use the long-term entry capacity they bought prior to 6 April 2017 (referred to as “Existing Capacity Holdings”) at Easington ASEP to withdraw gas from Rough and would therefore have to purchase new capacity at a much higher price.

### **The modification proposal**

Centrica propose changes to allow nominations of Existing Capacity Holdings to be transferred for use at Rough Storage ASEP. Nominations would be made on a monthly basis, covering each day in the following month. The amount nominated for a given day will be deducted from Centrica’s Existing Capacity Holdings at Easington ASEP.

This would apply solely to Existing Capacity held by Centrica at the Easington ASEP. The proposal is also designed to be temporary, with this arrangement ending on 31 March 2023. The proposer notes that at that point, and if determined to be necessary, a more comprehensive solution may be proposed.

### **UNC Modification Panel View**

Given the circumstances, we have not on this occasion sought a formal UNC Panel view on the proposals, as allowed for under paragraph 10.1.1(b) of the Modification Rules.<sup>4</sup>

### **Authority Decision**

We have considered the Proposer’s justification for urgency for the modification proposal and assessed the request against the urgency criteria set out in Ofgem’s published guidance.<sup>5</sup> The guidance sets out the factors that we will consider in reaching a decision on urgency in the context of industry code modification proposals – it is intended to be illustrative and not exhaustive. Each request for urgency will be considered on its merits on

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<sup>3</sup> Article 9(1) of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas, now incorporated in UK law by the European Union (Withdrawal) Act 2018 and the European Union (Withdrawal Agreement) Act 2020, as amended by Schedule 5 of the Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations SI 2019/531.

<sup>4</sup> Uniform Network Code Modification Rules: [https://www.gasgovernance.co.uk/sites/default/files/ggf/Modification%20Rules\\_13.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/Modification%20Rules_13.pdf)

<sup>5</sup> Ofgem Guidance on Code Modification Urgency Criteria: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-code-modification-urgency-criteria-0>

a case-by-case basis by reference to our guidance, and in circumstances where we depart from it, we will explain the reasons why.

In general, we consider that an urgent modification should be linked to an imminent issue or a current issue that, if not urgently addressed, may cause a:

- i. Significant commercial impact on parties, consumers or other stakeholders; or
- ii. Significant impact on safety and security of the electricity and/or gas systems;  
or
- iii. Party to be in breach of any relevant legal requirements.

Centrica consider that this proposal satisfies the above criteria (i) and (ii). Specifically, they argue that 'the Rough Storage Facility can play a key role in strengthening the UK's gas security of supply. Implementation of this Modification will ensure that Centrica can withdraw gas during the winter period at the lowest cost possible thereby benefiting UK customers'. In addition, Centrica argues that '[c]ertainty is required as to the costs of withdrawing gas from the Rough facility over the coming Winter to inform the assessment of the business case for injections into storage in the next couple of months prior to the onset of winter'.

While we have not made judgment on the merits of this proposal, we have decided to grant urgency on the basis of criterion (i), namely that the modification is linked to an imminent issue that, if not urgently addressed, may cause a significant commercial impact on parties, consumers or other stakeholders. We consider that this criterion is satisfied in light of the particular circumstances surrounding this request, namely that:

- 1) The operation of the Rough gas storage facility during the winter of 2022/2023 can provide a significant increase in gas storage capacity for Great Britain and, consequently, promote security of supply.<sup>6</sup> In this context, we recognise that uncertainty regarding the applicable charging arrangements at Rough could be detrimental. Therefore, regardless of Ofgem's decision on UNC817 and the resulting charging arrangements at Rough ASEP, we recognise it is important to give clarity on the arrangements ahead of the upcoming winter; and
- 2) This proposal was raised further to the creation of a new Rough ASEP on 4 August 2022.<sup>7</sup> This has left limited time to clarify the relevant commercial arrangements at this ASEP. The ordinary governance process would not allow the consideration of the modification ahead of the upcoming winter in the absence of urgency.

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<sup>6</sup> See Decision on Centrica Storage Limited's application for an exemption to nTPA for Rough gas storage facility (3 August 2022) <https://www.ofgem.gov.uk/publications/decision-centrica-storage-limiteds-application-exemption-ntpa-rough-gas-storage-facility>

<sup>7</sup> See <https://www.nationalgrid.com/gas-transmission/document/140401/download>

Given that this request for urgency satisfies criterion (i), it is not necessary for us to consider the other urgency criteria.

For the avoidance of doubt, we note that this timetable does differ, but not substantially from the one that was recommended by the Proposer. The timetable recommended by the Proposer did not allow sufficient time for a decision on urgency to be made. The timetable below provides roughly the same number of days for each step of the process as the one suggested by the Proposer. We do not consider this to materially affect the proposed timetable and expect that the Modification Panel recommendation can be made during the same week envisaged under the Proposer's timetable:

Process	Date
Ofgem Decision on Urgency	30 August 2022
Draft Modification Report issued for consultation	31 August 2022
Consultation Close-out for representations	6 September 2022
Final Modification Report available for Panel	7 September 2022
Modification Panel decision consideration	8 September 2022
Modification sent to Ofgem	8 September 2022

In reaching our decision on urgency we have made no assessment of the substance of the proposed modification and nothing in this letter in any way fetters the discretion of the Authority.

Yours sincerely,

**Charlotte Friel**

**Deputy Director - Market Operations and Signals**

Signed on behalf of the Authority and authorised for that purpose