



Making a positive difference  
for energy consumers

National Grid Gas plc;  
the UNC modifications panel;  
the Joint Office of Gas Transporters;  
interested parties.

Date: 10 April 2019

Dear Stakeholder

**Decision that National Grid Gas plc (“NGG”) undertakes specific tasks to implement aspects of Regulation (EU) 2017/460<sup>1</sup>, the European Network Code on harmonised transmission tariff structures for gas (“TAR NC”)**

This letter sets out our<sup>2</sup> decision for NGG to undertake certain consultation activities required by Article 26 and the cost allocation assessment calculations required by Article 5 of TAR NC (“Decision”). The reasons for our Decision are set out below.

**Background**

Commission Regulation (EU) 2017/460 (“TAR NC”) was published in the Official Journal of the European Union on 16 March 2017. It aims to harmonise the basic principles and definitions used by member states to calculate transmission tariffs.

Article 26 of TAR NC provides details on the content and administration of the consultation(s) which should precede the National Regulatory Authority’s (“NRA”) decision to implement TAR NC. It states, among other things, that one or more consultations shall be carried out by the NRA or the transmission system operator (“TSO”), as decided by the NRA.

Article 5 of TAR NC requires the NRA or the TSO, as decided by the NRA, to undertake cost allocation assessments that must be published in the final consultation required under Article 26.

**Current process and relationship to UNC621**

NGG and industry previously raised proposals seeking to ensure that tariff arrangements in Great Britain (“GB”) were compliant with TAR NC, through Uniform Network Code modification 621 (“UNC621”) and a series of alternative modifications.<sup>3</sup> We were unable to approve any of these proposals because they all contained common elements that were not compliant with TAR NC. Our December 2018<sup>4</sup> UNC621 decision letter contains the detailed reasons for that decision.

In November 2017, as part of the UNC621 modification process, and prior to our decision on those proposals, we carried out an industry consultation on a number of issues relating

<sup>1</sup> Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas: <http://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32017R0460&from=EN>. This is also referred to as the “EU Tariff Code”.

<sup>2</sup> Ofgem is the Office of the Gas and Electricity Markets Authority. The terms ‘Ofgem’, ‘the Authority’, ‘we’, ‘our’.

<sup>3</sup> A copy of UNC621 and the alternative proposals can be found on: <http://www.gasgovernance.co.uk/0621>

<sup>4</sup> Decision to reject UNC621/A/B/C/D/E/F/H/J/K/L (20 December 2018): <https://www.ofgem.gov.uk/publications-and-updates/uniform-network-code-unc-621abcdefghijkl-amendments-gas-transmission-charging-regime>

to the implementation of TAR NC in GB<sup>5</sup>. Among other things, we sought views on our proposal to make NGG responsible for certain tasks arising under TAR NC, including undertaking consultation activities required by Article 26 and the cost allocation assessments required by Article 5.

In January 2019, NGG raised UNC678 'Amendments to Gas Transmission Charging Regime'.<sup>6</sup> This modification is also intended to implement changes to GB's gas arrangements to ensure they are compliant with TAR NC.

This letter sets out our decision for NGG to undertake certain consultation activities required by Article 26 and the cost allocation assessments required by Article 5 pertaining to the UNC678 modification process.

## **Ofgem decision**

We have decided that NGG should carry out the cost allocation assessments under Article 5 of TAR NC and a preliminary consultation under Article 26 of TAR NC. Proposers of alternative modifications should produce any necessary analysis required under Articles 5 and 26, and work alongside NGG to make sure this is complete for the preliminary consultation.

The table below sets out the specific activities we require NGG to undertake. There are also a number of actions related to information we require to be published as part of the consultation and publication requirements that are set out in TAR NC (Articles 28 to 30). These are also set out in the table below.

For clarity, we consider that a consultation on our decision is not required, as we consider that there will be no added value in repeating the November 2017 consultation on our decision to make NGG responsible for the cost allocation assessments and preliminary consultation under TAR NC, given the similarities between the UNC621 and UNC678 modification processes. In particular, both UNC621 and UNC678 seek to ensure GB is compliant with TAR NC.

Moreover, UNC621 and UNC678 have followed the same modification procedure, as they are industry-led proposals subject to the UNC governance framework. Stakeholders had the opportunity to provide views relating to the cost allocation assessments and preliminary consultation during our November 2017 consultation, which remained open for more than one month<sup>7</sup>. For these reasons, we consider that there is no need to carry out the same consultation sixteen months after the first consultation.

Finally, there is a requirement to implement TAR by 31 May 2019 and to that end we have granted urgent status to UNC678. Undertaking a consultation on our decision would delay our aim to achieve compliance with the network code as soon as possible.

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<sup>5</sup> <https://www.ofgem.gov.uk/publications-and-updates/consultation-proposals-implement-aspects-regulation-eu-2017460-european-network-code-harmonised-transmission-tariff-structures-gas-tar-nc>

<sup>6</sup> <http://www.gasgovernance.co.uk/0678>

<sup>7</sup> Our consultation opened on 4<sup>th</sup> October 2017 and closed on 6<sup>th</sup> November 2017, following a brief extension,

<b>Task</b>	<b>Decision by the authority</b>
1.	NGG shall undertake a consultation pursuant to TAR NC Article 26 and shall use the UNC678 Draft Modification Report ("DMR") as the consultation document. This shall commence no later than five working days after the UNC678 Draft Modification Report is published for consultation. It shall end on the same day the UNC678 Draft Modification Report consultation closes. NGG shall complete the Article 26 consultation using the TAR NC Article 26(5) consultation template and append this to the consultation.
2.	NGG shall perform the cost allocation assessments referred to in TAR NC Article 5(1) and publish them as part of the consultation referred to in Task 1.
3.	NGG shall publish the matters referred to in TAR NC Article 28(1) as part of the consultation referred to in Task 1 (above).
4.	NGG shall publish the responses and their summary from the consultation referred to in Task 1 (above) no later than 1 month following the end of the consultation, and forward a copy to the Authority.
5.	NGG shall forward the consultation document referred to in Task 1 (above) onto ACER upon launching the consultation and request their view.
6.	NGG shall publish the information referred to in TAR NC Article 29, relating to capacity auction reserve prices, no later than thirty (30) days before the annual yearly capacity auction.
7.	NGG shall publish the information referred to in TAR NC Article 30(1), (2) and (3), relating to the technical, financial and other characteristics of the transmission system, no later than thirty (30) days before the tariff period as defined in TAR NC.

### **Next steps**

If you have any queries regarding this letter, please contact David O'Neill at [david.oneill@ofgem.gov.uk](mailto:david.oneill@ofgem.gov.uk) or on 0207 901 3874.

### **David O'Neill, Head of Gas Systems**

Signed on behalf of the Authority and authorised for that purpose