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Cadent Gas Limited
Brick Kiln Street, Hinckley
Leicestershire LE10 0NA
cadentgas.com

Gurvinder Dosanjh
Mobile: +44 (0)7773 151572
Email:
gurvinder.dosanjh@cadentgas.com

Robin Dunne
GB Wholesale Markets, Gas Systems
Ofgem
Robin.dunne@ofgem.gov.uk

Cadent
Your Gas Network

Consultation on the proposed change to Existing Arrangements for Accessing Licence Baseline Exit Capacity on the National Transmission System at Bacton Interconnection Point

Dear Robin,

We welcome the opportunity to respond to Ofgem's Consultation. Please see our response below which is non-confidential and can be published on Ofgem's website.

Current Exit Arrangements

At present, National Grid Gas (NGG) is obliged to offer 623.58 GWh/day (57 mcm/day) of Licence Baseline Exit Capacity at Bacton (IUK) and 0 GWh/day at Bacton (BBL).

Therefore, at present, NGG can, at its discretion, only offer Interruptible (Off-Peak) and Non-Obligated capacity products at Bacton (BBL).

BBLC (BBL Company) now wish to offer its Shippers a full range of products on exit at Bacton (BBL) as the BBL pipeline is now physically capable of off-taking gas from the NTS at Bacton (BBL).

Proposed Options:

- Option 1: 'Do nothing' to maintain the status quo.

- Option 2: Aggregating Bacton (IUK) and Bacton (BBL) IPs at exit into one.

-Option 3: Reallocating existing Licence Baseline Exit Capacity at Bacton (IUK) to Bacton (BBL).

Question 1

Do you have any views on the three options we are consulting on?

Option 1 is our preferred solution as this is consistent with the current rules that are in place. All Exit users should be treated in a fair and consistent manner and we consider options 2 and 3 to be inconsistent with this principle. We say this as we believe that there are existing avenues in place that would allow for the procurement of Firm NTS Exit (Flat) Capacity at Bacton (BBL), and these exist for all NTS Users. If for example, Cadent wished to increase its firm capacity holding at one of its NTS/LDZ Offtakes which had a Baseline of zero (0) kwh, then we would need to apply for Enduring Annual Capacity and be liable for a User Commitment fee. We do not see why this is not the case for Users at Bacton (BBL)?

Question 2

Should we have considered any other options to better utilise the existing exit capacity?

Please refer to the response to Question 6.

Question 3

Is our approach to assessing the costs, risks and benefits of the three options suitable? Are there any additional factors that we should build into our assessment?

We are happy with the approach taken to assessing the costs, risks and benefits of the three options. Whilst we agree with the notion of increasing competition and providing greater choice, we believe that options 2 and 3 are being considered due to the fact that existing capacity release mechanisms on Exit can be a barrier to entry.

Question 4

Do you have any views on the specific qualitative analysis published in our Impact Assessment?

Please see our response to Question 3 above. We have nothing further to add.

Question 5

Are you in agreement with our preferred option and our minded to decision?

No, we are not. Whilst we agree with the logic applied in considering options 2 and 3, we cannot support them in principle as they do not address the root cause of the issue which is that accessing Firm NTS Exit Capacity from the NTS can be off-putting when taking the cost associated with User Commitment into consideration.

Question 6

Is there any other relevant information we should consider before taking forward a change?

In paragraph 3.3 of the consultation document, Ofgem states that NGG *"can only provide additional capacity that has been formally initiated through the incremental capacity process. We don't think the incremental capacity process is a compatible solution as it only addresses ways of increasing the technical capacity at the exit point under consideration rather than how existing capacity is fairly distributed at Bacton."*

This would suggest that Substitution is not an option. If this is the case, should the relevant Methodology be amended to allow for this? An obvious solution would be for a request for Firm Incremental capacity at Bacton (BBL) to be made via the Substitution of capacity from Bacton (IUK) on a 1:1 ratio. This would result in no investment by NGG and no net increase in available Exit capacity overall.

In the same paragraph (3.3) you go on to state that *"In addition, this process is initiated by firm user commitment and could even result in investment in the network which would could incur a cost to the consumer. Therefore, in these market conditions, we do not consider this as a possible policy option."*

Cadent has argued for some time now that under a NTS Network with declining gas capacity requirements, where no investment is required, then User Commitment should not apply. As previously mentioned above, if the capacity was made via Substitution from Bacton (IUK) to Bacton (BBL) at a ratio of 1:1 then the requirement for investment has been mitigated, so how can User Commitment be justified?

Summary

Cadent is of the opinion that processes exist within the Exit Regime that allow for Users to gain access to Firm levels of NTS Exit (Flat) capacity. Our preferred option is therefore, Option 1.

National Grid are currently carrying out a review (UNC 0705R – NTS Capacity Access Review), and Cadent is of the opinion that this is the appropriate forum to find the most suitable industry solution.

This response is made on behalf of Cadent and can be published by Ofgem. If you have any further questions, please do not hesitate to contact me using the details at the top of this letter.

Yours sincerely
By email

Gurvinder Dosanjh
Industry Codes Manager