

Smell gas?

Call the National Gas Emergency Service
on 0800 111 999

Andrew Ryan
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

27 January 2022

Dear Andrew,

Statutory consultation on amendments to the Standard Special Condition A48 (third party financing)

Thank you for the opportunity to respond to this consultation. Northern Gas Networks (NGN) has been party to ongoing discussions relating to the operation of Standard Special Condition A48: Last Resort Supplier Payment Claims.

We are supportive of endeavours to mitigate large-scale, sudden impacts on consumer pricing. We believe that by introducing third party financing it should be possible to extend the time period over which valid Last Resort Supplier Payment (LRSP) claims are paid. We believe that a multi-year model should provide the ability to smooth consumer impacts and that Ofgem's role in considering overall value to consumers from the arrangement remains critical to the efficient operation of the LRSP process.

Together with the other GDNs we have considered the proposed amendments and discussions throughout the consultation period and have welcomed the open engagement throughout. There are some specific changes we believe need to be made to ensure that the revised drafting is capable of delivering the intended outcomes. These relate to both the Gas Transporter Standard Special Condition A48 and the Gas Supplier Standard Condition 9 and are included in attached annexes.

Historically only large Transporters have been involved in the LRSP process, and our current Uniform Network Code (UNC) onward charging excludes charges being passed by us to

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the network**

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meter points connected to IGT networks. We believe that this creates an inequity for customers directly connected to our network compared to those on IGT networks. We



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believe this should be addressed by either including IGTs in the initial allocation of costs, or by making changes to the UNC process to include these sites. We can see no logical reason why a customer on an IGT network would not pick up a share of these costs while those directly connected to our networks will. Should the Supplier Licence be amended to include specific reference to connection to networks (as suggested during interim discussions on paragraph 9.8) the UNC change would not be possible and unless IGTs are included in the initial allocation a cross subsidy will be created disadvantaging our directly connected customers.

Finally, we believe it is appropriate to consider including within the Gas Transporter Licence specific arrangements that would facilitate a mid-year price adjustment. This could be included as a new paragraph 3B and include clear deadlines that would enable an October effective price-change, where directed to do so.

Please contact me should you have any queries about this response.

Yours sincerely

By email

Joanna Ferguson
Head of Market Service & Regulatory Compliance

Annex 1: Standard Special Condition A48 Gas Transporter Licence

Separate attachment

Annex 2: Standard Condition 9 Gas Supplier Licence

Separate attachment

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