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Ref: Article 28 TAR NC consultation with the non-UK regulatory authorities of all directly connected countries or territories, the Utility Regulator of Northern Ireland and the relevant stakeholders

Dear William,

National Gas Transmission welcomes the opportunity to respond to this consultation. We note the elements of the Transportation Charging Methodology being consulted on, the Seasonal Factors, Multipliers, and discounts for interruptible capacity, discounts at Entry points from LNG facilities and for entry/exit points to infrastructure with the purpose of ending isolation of GB and Northern Ireland are all embedded or would form part of TPD Section Y (Charging Methodologies)¹ were they to be used.

All UNC Signatories can propose changes to these elements of the Transportation Charging Framework via the UNC change process and can discuss these within the UNC dedicated NTS Charging Methodology Forum workgroup, NTSCMF². To date there have been no proposals to change from the levels implemented under UNC0678A³ that have been in place since October 2020.

The subject of LNG treatment (e.g. discounts for LNG on Entry Capacity) has been raised within NTSCMF workgroups recently. This has been as part of the Transmission Services charging development discussions that have focused on the Transmission Services Entry and Exit split (the amount of allowed revenue that is used to set charges that recover from Transmission Services Entry and Exit charges respectively). National Gas is responding by providing analysis looking at the sensitivity of such a discount and helping to facilitate this into these discussions to consider any merits. We expect these discussions and analysis to continue to be shaped that can include LNG treatment or have as a separate discussion item. We note these are discussions and merits of any potential change on this or any charging topic are subject to the UNC change process.

¹ <https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2023-01/24%20TPD%20Section%20Y%20-%20Charging%20Methodologies.pdf>

² <https://www.gasgovernance.co.uk/ntscmf>

³ <https://www.gasgovernance.co.uk/0678>

Consultation questions:

You ask similar questions on the four areas (Seasonal Factors, Multipliers, LNG Discounts and Interruptible. Notably, views on current levels, merit of any change and their effectiveness.

1) Views on current levels

Across all these topics, we support the current position on these components and welcome discussion on potential developments through the industry discussions at NTSCMF that may result in UNC change proposals and welcome any reflections Ofgem may have from these or from the responses to this consultation.

2) Merit of potential change

LNG Discounts: As you have pointed out there are other jurisdictions in Europe that use LNG discounts. This is something that is being discussed as part of NTSCMF discussions and we note that this has been raised for GB as a means that could be reviewed as part of GB's competitiveness for the Transmission system and for security of supply for consumers.

As part of any review, we also consider the Entry and Exit split could facilitate this too in terms of a potential objective. Therefore, as is being facilitated through NTSCMF, there is merit in considering these topics alongside each-other.

Multipliers: With regards to multipliers the current methodology removed the direct incentive through charges to book capacity in a particular way, with all multipliers as "1". This provides the optionality to Shippers to book as they would like to. Should this be a subject to review, or if there are strong views expressed on this area, we welcome any further discussion.

Interruptible: Discounts for interruptible capacity at the levels of 10% were part of the changes made that were ultimately implemented in October 2020. To date we have had no issues raised that these levels should change.

3) Additional comments

When comparing to other jurisdictions there is also scope that there could be a combination of Multipliers, Seasonal Factors, LNG discounts and interruptible capacity treatment. Within GB there are no Seasonal Factors, Multipliers are all set to "1", LNG discount is set to "0" (Zero) and there is an interruptible discount for both Entry and Exit capacity of 10%.

There is likely a worthwhile activity as discussions progress within NTSCMF on charging developments on the comparisons with Europe that may present some useful insight for GB, including, and not limited to, its competitiveness for use of the Transmission System and benefits it could afford including security of supply and looking at the total cost to Customers and Consumers. We do note that like for like comparisons are challenging given the structure of pricing and payable prices in different countries can vary so comparisons will likely have numerous assumptions to underpin them.

Specific question on the Article 28 Consultations

You have asked some questions on the Article 28 Consultations:

- 1) Do you have any comments or observations on the value to stakeholders and consumers of Ofgem continuing to conduct this annual consultation?
- 2) Do you have any suggestions on how Article 28 consultations may be improved or conducted differently in future to maximise value for stakeholders and consumers?

On these:

- 1) We believe there is value to these consultations and opportunities to improve its engagement to receive constructive responses from Stakeholders. Views on the status of the charging arrangements are always welcome from Stakeholders and from Ofgem. This is a valuable part of keeping the methodology under review.
- 2) By way of improvements, noting the limited responses received in the past, there is value we believe as has been done this year in expanding its scope to invite views more broadly on these areas to encourage participation. Responses can vary in terms of supporting detail and within the timeframes there may need to a compromise on the amount of detail that can be given. These consultations are a valuable opportunity to get formal responses (even if confidential) on areas Stakeholders wish to draw attention to. Whilst we note there the scope needed for compliance with relevant legislation, these can be used to receive more where it can add value. It can be used as a periodic review of views on these and connected charging areas. This may be challenging to do every year and perhaps frequency is something to review. Any outcome is important to relay in a timely manner and give some steer on any actions, expectations, or observations such as how these may link and form part of discussions in NTSCMF.

At this time, there has been no proposals to change these values; however, we note these should always be under review if there are any benefits to them being changed. The UNC change process and the use of NTSCMF and Transmission workgroups remain the primary route to discuss and propose changes. Should there be any insight, views or steer that Ofgem have or would like focus on we would welcome this to be shared to better facilitate industry discussions.

As discussions develop on these and related topics, and if there is any feedback from this consultation, to further the UNC Relevant Objectives in the future, National Gas Transmission will be part of those discussions at the relevant industry workgroups including potentially raising UNC changes.

Yours sincerely

Colin Williams
Charging & Revenue Manager