

Non-UK regulatory authorities of all
directly connected countries or
territories;
the Utility Regulator of Northern
Ireland (Uregni);
relevant stakeholders.

Email: gas.systems@ofgem.gov.uk

Date: 8 May 2025

Dear Stakeholders,

Authority decision regarding the consultation as required by Article 28 of the Tariff Network Code

This letter sets our¹ decision in accordance with Article 28(1) of the Tariff Network Code ("TAR NC")², on those items which are relevant to the statutory consultation.

Background

Article 28 of the TAR NC requires that Ofgem must consult, within every tariff period, with the non-UK regulatory authorities of all directly connected countries or territories, the Utility Regulator of Northern Ireland ("Uregni"), and relevant stakeholders on the following items:

- a. the level of multipliers;
- b. if applicable, the level of seasonal factors and how these are calculated;
- c. the levels of any discounts:
 - i) at entry points from LNG facilities;
 - ii) at entry points from and exit points to infrastructure developed with the purpose of ending the isolation of Great Britain or Northern Ireland, or other countries or territories, in respect of their gas transmission systems;
 - iii) and the level of any discounts for standard capacity products for interruptible capacity.

¹ 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 document.

² [Commission Regulation \(EU\) 2017/460](#) of 16 March 2017 established a network code on harmonised transmission tariff structures for gas, now assimilated 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 2019 \(S.I. 2019/531\)](#) which was then itself amended by [the Gas Tariffs Code \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/1393\)](#).

In the Great Britain ("GB") context, gas transmission charging arrangements are set out in Section Y (Charging Methodology) of the Uniform Network Code ("UNC") Transportation Principal Document ("TPD").³ The industry code governance framework⁴ in GB allows UNC signatories who wish to amend any of the above items listed in Article 28(1) to raise UNC code modification proposals via the established industry-led process. In accordance with the UNC, the National Transmission System Charging Methodology Forum ("NTSCMF") has been established to be a UNC Workgroup that discusses and develops modifications to the gas transmission charging methodology in the UNC TPD. It also discusses National Transmission System (NTS) charging methodology related issues and topics.⁵ Attendance to the NTSCMF is open to all interested parties.⁶

Article 28 Consultation

On 3 February 2025, we opened our Article 28 TAR NC consultation and invited responses from interested parties on the items listed in Article 28(1) of TAR NC and set out above. Our consultation remained open for four weeks, closing on 3 March 2025.⁷ We also invited non-UK regulatory authorities of all directly countries or territories and Uregni to respond to the consultation within a four-week period between 25 March 2025 and 22 April 2025.

In total, we received five responses, all of which are non-confidential responses.⁸ Among the five responses, we received two from gas shippers, two from gas interconnectors and one from an energy industry trade association. For ease of reading, we have summarised and grouped the responses under the following headings:

Multipliers, seasonal factors, and interruptible capacity discounts

Summary of consultation responses

Three responses supported maintaining the current levels of multipliers, seasonal factors and interruptible capacity discounts. The other two responses did not comment on these items.

Ofgem's view

We acknowledge the three stakeholders' views in support of maintaining the current levels of multipliers, seasonal factors, and interruptible capacity discounts. We have received no responses or substantive evidence suggesting that an adjustment to these values should be made at this time. As such, we are satisfied that for Gas Year 2025/26, these items should remain at the current level (where applicable in the GB context) as set out in the UNC.

Ofgem encourages National Gas Transmission (NGT) and industry stakeholders to continually review the appropriateness of the charging methodology in the UNC, including these items, from time to time and initiate discussions at the NTSCMF as and when necessary. Ofgem also reserves the right to further explore these items in future and may consult further on these matters should the need arise.

³ See <https://www.gasgovernance.co.uk/TPD>

⁴ See Industry code governance: <https://www.ofgem.gov.uk/licences-industry-codes-and-standards/industry-code-governance>

⁵ See <https://www.gasgovernance.co.uk/ntscmf>.

⁶ See NTSCMF Terms of Reference: [NTS Charging Methodology Forum | Gas Gov 2023 \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/NTS-Charging-Methodology-Forum-Gas-Gov-2023)

⁷ See [Article 28\(2\) Tariff Network Code: Gas Year 2025 to 2026 Consultation | Ofgem](#)

⁸ See Ibid. These responses have been published on our website alongside this decision letter.

Discounts for LNG entry points

Summary of consultation responses

We received two responses that advocated for the introduction of discounts for LNG entry points in GB. They raised the following points:

- Both said the absence of LNG discounts and higher Entry Capacity charges compared to our European neighbours negatively impacts the attractiveness of delivering LNG to GB. By way of example, they cited several European nations who have introduced LNG discounts as measures to improve security of supply of gas and gas system utilisation.
- One response raised that the discrepancy between GB Entry Capacity charges and comparatively lower continental charges would be more pronounced once existing contracted capacity for LNG expires in 2029/30. Consequently, they consider that GB terminals will be exposed to higher Entry Capacity charges which could negatively impact the utilisation of GB LNG terminals in the longer term.

One response considered the current absence of LNG discounts appropriate. Two responses cautioned against the introduction of discounts for LNG entry points, stating that a discount on any particular entry point would be potentially discriminatory to other entry points. Further, one response argued that charging arrangements should support effective competition among shippers, which will benefit security of supply of gas to GB consumers. This response also noted that discounts may result in 'missing revenue' that must be recovered from higher charges paid by other users. One response stated that LNG discounts could raise the carbon intensity of the gas grid, which is counter to decarbonisation aims. They also claimed LNG discounts could suppress UK production to the detriment of supporting jobs and energy independence and security.

Entry/Exit ("E/E") split of NTS Transmission Service Revenue

While the E/E split of Transmission Service Revenue was not strictly within the scope of this consultation, three responses touched upon this matter and UNC modification proposal 0903 'The Introduction of a Single NTS Capacity Reference Price'. UNC0903 is currently being considered at the relevant workgroup.⁹ We include reference to this matter within our consultation response because adjusting the E/E split and potential LNG discounts are both measures which are claimed by respondents to achieve a similar outcome of enhancing GB's attractiveness to gas imports.

Two responses supported adjusting the current E/E split as a means to lower NTS Entry Capacity charges. They said this could make GB a more competitiveness destination for gas and therefore improve security of supply. One of these responses argued that adjusting the E/E split was a more holistic approach, as opposed to introducing specific discounts for one type of NTS entry user. The response also claimed this approach can lower wholesale energy costs and enhance competition between network users, including competition between holders of existing capacity contracts and other users.

One response urged caution in relation to UNC0903. They said there are uncertainties around whether a reduction in Entry Capacity charges would reduce wholesale gas prices at the National Balancing Point ("NBP") and make GB more competitive. They highlighted the difficulty in making a robust decision on this matter, and noted that consumers may face higher costs overall when the higher Exit Capacity charges are considered too.

⁹ [The Introduction of a Single NTS Capacity Reference Price | Joint Office of Gas Transporters - Gas Governance](#)
The Office of Gas and Electricity Markets

Ofgem's view

Ofgem's principal objective is to protect the interests of existing and future energy consumers which includes (among other factors) maintaining the security of supply of gas to them. We acknowledge the need for GB to remain an attractive destination for gas imports and we recognise the important role that LNG currently plays and will continue to play in meeting GB's energy needs.

We note that among the responses we received, two were in support of introducing LNG discounts at LNG entry points, as a means to improve GB's competitiveness in the global LNG market. We also note the views of two stakeholders who raised concerns over the impact LNG discounts could have on competition between network users.

We acknowledge the views of two stakeholders that both LNG discounts and UNC0903 could achieve similar objectives of lowering Entry Capacity charges, which may enhance GB competitiveness. We also note the view of one stakeholder that the impact of UNC0903 on GB competitiveness and the gas price at the NBP would be uncertain.

As per the established modification process, Ofgem will make a decision on UNC0903 following the completion of the Workgroup and UNC Panel assessment, and the submission to us of the Final Modification Report (FMR) and UNC Panel's recommendation.

When considering a UNC modification, Ofgem must assess whether the modification will better achieve the UNC Relevant Objectives and/or UNC Charging Methodology Relevant Objectives as well as whether it is in line with our principal objective to protect the interests of existing and future consumers and our other statutory duties. We therefore recommend that the NTSCMF and the proposer of UNC0903 modification proposal should consider our principal objective and statutory duties (as previously stated in our decision letter for last year's Article 28 TAR NC consultation).¹⁰

We also reiterate this year, that subject to Ofgem's decision on UNC0903, NGT and stakeholders may wish to have a separate discussion on whether LNG discounts should be introduced. As such this discussion may take into account the impact of UNC0903, if implemented, on NTS Entry Capacity charges. In accordance with the UNC, the discount at LNG entry point should be 0% for Gas Year 2025/26.

Decision notice

In accordance with the requirements of Article 28 of the TAR NC, Ofgem is required to take a motivated decision following the end of the consultation, on those items which are relevant to the statutory consultation and publish our decision.

Based on the UNC, the following values provided in Table 1 shall be applicable in Gas Year 2025/26.

¹⁰ [Article 28 Tariff Network Code motivated decision - Gas Year 2024 to 2025 | Ofgem](#)

Table 1 Gas Year 2025/2026 – the levels of multipliers, seasonal factors and discounts

Level of multipliers	1.0
Level of seasonal factors and how these are calculated	n/a
Level of discount at entry points from LNG facilities	0%
Level of discount at entry points from and exit points to infrastructure developed with the purpose of ending isolation of gas transmission systems	n/a
Level of discount for standard capacity products for interruptible capacity	10%

Yours sincerely,

William Duff

Head of Gas and Hydrogen Systems and Operations

Signed on behalf of the Authority and authorised for that purpose