

Ofgem: Article 28 TAR NC consultation

3 March

Energy UK is the trade association for the energy industry with over 100 members - from established FTSE 100 companies right through to new, growing suppliers, generators and service providers across energy, transport, heat and technology.

Our members deliver nearly 80% of the UK's power generation and over 95% of the energy supply for 28m UK homes as well as businesses.

The sector invests £13bn annually and delivers nearly £30bn in gross value - on top of the nearly £100bn in economic activity through its supply chain and interaction with other sectors. The energy industry is key to delivering growth and plans to invest £100bn over the course of this decade in new energy sources.

The energy sector supports 700,000 jobs in every corner of the country. Energy UK plays a key role in ensuring we attract and retain a diverse workforce. In addition to our Young Energy Professionals Forum, we are a founding member of TIDE, an industry-wide taskforce to tackle Inclusion and Diversity across energy.

Energy UK welcomes the opportunity to respond to this consultation. It has been closely involved in the development of charging proposals consistent with the EU TAR NC and continues to engage in further discussions on transmission charging.

Energy UK acknowledges that this consultation is necessary for compliance with this section of TAR NC in retained law but notes that the main place for raising discussing transmission charging issues is the national transmission system charging methodologies forum (NTSCMF).

Energy UK does not consider there is a need to change any of the parameters listed in section 28, rather stability in the framework is desirable, noting measures have been taken in recent years to reduce volatility of charges.

With respect to the possibility of discounts at LNG entry points or other entry points in relation to ending isolation on Great Britain and Northern Ireland, Energy UK urges

caution as it does for the current UNC modification 0903 proposal being considered at NTSCMF. Charging proposals are always difficult to assess and whilst the allowed revenue to be recovered by transporters is fixed, there can be direct and indirect consequences that need to be fully considered in the context of Ofgem's wider statutory duties, and other government policies.

For example:

- a discount on any particular entry point would potentially be discriminatory to other entry points and may impact the ordering of marginal supplies.
- A discount for LNG supply could increase the carbon intensity of the gas grid, which seems counter to decarbonisation aims
- Discounts for LNG or interconnectors could also suppress UK production which may be counter to supporting jobs and seeking independence for energy security
- There are uncertainties whether a reduction in entry charges would make GB a more attractive destination for gas, would any change be large enough to drive this? Given some of the fees for LNG processing are not publicly available, how can this be discussed at CMF and a robust decision be made?
- It is also uncertain whether any reduction in entry charges would be reflected in reduced wholesale prices at the NBP, if not customers may face higher costs overall when the higher exit charges are considered too.
- Are there circumstances where higher bills to customers can be justified in the current economic climate? Perhaps increased security of supply but how is this quantified?

Energy UK felt it may be useful to share these reflections with Ofgem on the complexities of assessing any and all charging proposals. There are potentially difficult trade-offs and judgements to be made and industry will only have confidence in these where they are articulated clearly and transparently.

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