South Hook Gas Company Ltd
Level 28, The Shard
32 London Bridge Street
London SE1 9SG

By email

gas.systems@ofgem.gov.uk

Gas Security Team
Ofgem
10 South Colonnade
Canary Wharf, London

03 March 2025

RE: Ofgem's TAR NC Consultation

Dear Gas Security Team,

South Hook Gas Company Ltd (SHG) is grateful for the opportunity to respond to Ofgem's TAR NC consultation. SHG is an NTS shipper that holds and manages the primary capacity at the South Hook LNG Terminal located at Milford Haven in South Wales. Since commercial operations commenced in 2009, SHG has supplied natural gas into the NTS every day.

Please find our response to your questions below. We are happy for this response to the consultation to be published and to be contacted further by Ofgem in relation to our response.

Our position has not changed since our response to the previous TAR NC Consultation of August 2024.

1. Multipliers

SHG Response:

SHG are content with the current level of multipliers within the GB gas transmission charging methodology and therefore see no significant merit in diverging from the current level.

2. Seasonal Factors

SHG Response

SHG are content with the current absence of seasonal factors in GB and therefore see no significant merit in introducing any seasonal factors.

3. Discounts

3.1. Discounts for LNG Entry Points

SHG Response

As per our previous response to the TAR NC consultation of August 2024, SHG continues to believe that the absence of LNG discounts provides a competitive disadvantage for GB. Over time this may lead to potential secondary impacts including higher costs to end consumers, a reduction in the ability for GB to attract LNG cargoes and a corresponding increase in risk to the security of supply.

We believe the costs associated with landing and transporting gas within NW Europe are more attractive than those presently available within GB. This risks our position as a prime destination for landing LNG for both domestic supplies and transit gas to continental Europe.

South Hook Gas Company Ltd
Level 28, The Shard
32 London Bridge Street
London SE1 9SG

SHG believes that there is merit to introducing discounts for LNG entry points.

We believe that the best approach to implementing an appropriate discount would be to ensure that GB pricing through the NBP including gas transportation costs remains competitive against our competition in NW Europe, namely the Dutch Title Transfer Facility ('TTF') and the relatively new German Trading Hub Europe ('THE').

Our desktop research has indicated that some selected Member States offer the following LNG discounts:

- France 11%
- Netherlands 20%[1]
- Germany 40%[2]
- Poland 100%

Poland's 100% LNG Entry Discount has resulted in a high Terminal utilization rate, highlighting the potential positive impact of discounts in attracting gas.

Beyond the possibility of an LNG Discount, there are other options which might achieve a similar outcome. We note that a significant step forward would be revising the Entry / Exit split, shifting the split to place a greater cost onto exit. SHG have not included any further details of this given the ongoing development of such a proposal within the NTSCMF Workgroup and await the conclusion of the process initiated by NGT's UNC Modification 903. We note that the analysis performed by NGT suggests that, even excluding any available LNG discount, the cost to transport gas to a continental European hub is still markedly cheaper than in GB.

SHG would again suggest a further exploration of the permitted regasification processes in GB facilities to assess the potential future use of Open Rack Vaporization ('ORVs') which provides significant operational efficiencies compared to Submerged Rack Vaporization ('SCVs'). We would also encourage progress on potentially widening the acceptable gas quality which could enable a greater diversity of LNG sources and therefore increase security of supply while reducing operating costs through reduced gas treatment prior to network entry.

If of further interest, SHG would be happy to discuss with Ofgem any of the points raised.

3.2. Discounts for Interruptible Capacity

SHG Response

SHG does not have a strong view on discounts for interruptible capacity and therefore see no significant merit for adjusting interruptible capacity discounts.

We hope this response is of assistance and should you wish to discuss further or have any further questions please contact me on tgwinnell@southhookgas.com or +44 (0)20 7234 3505.

Yours faithfully,

Tim Gwinnell

Regulatory and Commercial Executive
South Hook Gas Company Ltd.

[1] As we understand it, the 40% LNG Discount in Germany is only applicable for entry capacity products on a quarterly or annual basis
[2] 20% in the Netherlands is for 2025 and 2026 with a possible extension to 2029 if the percentage share of the natural gas entering through LNG over the total amount of natural gas of the system in the previous year is above 25% and the average neutral gas price is above 37.5 EUR/MWh