

National Gas Transmission Plc  
and Interested Parties

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Date: 8 July 2025

Dear colleagues,

**Decision on proposed modifications to the Special Conditions of National Gas Transmission Plc's ("NGT") Gas Transporter Licence.<sup>1</sup>**

This letter outlines our<sup>2</sup> decision to approve two of the three changes proposed to NGT's Gas Transporter Licence (hereafter "Licence") in the following areas:

- Appendix 1 and 2 of Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution).

**Background**

On 17 April 2025, we published a Statutory Consultation on proposed modifications to Appendix 1 and Appendix 2 of Special Condition 9.13.<sup>3</sup> Appendix 1 and Appendix 2 specify the minimum amount of Entry and Exit Baseline capacity respectively that the licensee must make available at Aggregated System Entry points ("ASEPs").

In the Statutory Consultation, we requested views on three proposed changes. First, on the reallocation of a proportion of Baseline Entry Capacity from the Easington National Transmission System ("NTS") ASEP to the Rough NTS ASEP. Second, on increasing Baseline Entry Capacity at the Teesside ASEP. Third, to add three new Exit Points to the Baseline Exit Capacity table and that all three points are excluded from the definition of relevant points.

**Rough Baseline Proposal ("Rough")**

Rough is an offshore gas storage facility located in the North Sea, owned and operated by Centrica Energy Storage Ltd ("Centrica"), a subsidiary of Centrica plc. The facility was re-operationalised in 2022 and is capable of providing close to half of Great Britain ("GB's") total gas storage volume. Rough delivers gas to the Rough ASEP, which has no Baseline Capacity allocated to it in the Licence. In 2024, Centrica made representations to Ofgem that a proportion of the Baseline Capacity at Easington ASEP could be transferred to Rough ASEP through a Licence change process without negative implications for other network users. Centrica said this was needed because of the impact of Uniform Network Code

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<sup>1</sup> [National Grid Gas plc Special Conditions](#)

<sup>2</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

<sup>3</sup> [Statutory Consultation to modify the Gas Transporter licence](#)

("UNC") 0678A: "Amendments to Gas Transmission Charging Regime (Postage Stamp)"<sup>4</sup>, which disaggregated the Rough sub-terminal from Easington ASEP but did not allocate Baseline Capacity to Rough ASEP. Centrica also said they considered the Planning and Advanced Reservation of Capacity Agreement ("PARCA") process unsuitable in this case. Centrica subsequently engaged with NGT, who shared with Ofgem network analysis that demonstrated the veracity of Centrica's claims regarding the transfer of capacity. Ofgem recognised the merits of Centrica's representations and noted that network analysis confirmed that the proposed reallocation would not increase system risk or impose financial burdens on other market participants. Centrica engaged with standard industry processes; however, Ofgem saw merit in proceeding with a Statutory Consultation to facilitate this modification, on the grounds of supporting security of supply and Rough's long-term potential to be re-purposed for hydrogen.

#### Teesside Baseline Proposal ("Teesside")

In 2024, Wavecrest Energy LLC's ("Wavecrest") engaged with Ofgem regarding a proposed Teesside Flexible Regas Port, capable of delivering up to 248.5 GWh per day of liquified natural gas ("LNG") into the NTS to the Teesside ASEP ("Teesside project"). The Teesside project would increase GB's capability to import LNG into the country. The Teesside ASEP has a Baseline Capacity in the Licence of 445.9 GWh per day. Wavecrest considered that the Teesside project would only be commercially viable with additional Baseline Capacity allocated to the Teesside ASEP. Wavecrest also considered the PARCA process to pose financial and operational barriers to securing the necessary capacity. A Baseline Review conducted by the System Operator confirmed that the capacity increase could be achieved without increasing network constraint risks or requiring additional infrastructure reinforcement. In addition, no financial impacts can be expected for other network users as a result of this change. Wavecrest engaged with standard industry processes and also demonstrated to Ofgem that there is a need for regulatory intervention outside of those processes. Taking the above into account and because of the potential for the Teesside project to benefit consumers through enhancing GB security of supply, Ofgem saw merit in proposing to increase Baseline Capacity at the Teesside ASEP to 599.41 GWh per day.

#### Additional Exit Points in the Baseline Exit Table ("Additional Exit Points")

NGT requested the Licence be updated to incorporate three new Exit points into the Baseline Exit Capacity table in Appendix 2: Sandbach Power Station, Shotton Mill CHP and Thurrock Power Station. These modifications are considered housekeeping changes, ensuring the Licence reflects NGT's latest commercial developments. As per Article 18(4) of the Gas Regulation (EC) No. 715/2009, following consultation, Ofgem must approve whether these Exit points qualify as 'relevant points' under transparency requirements.<sup>5</sup>Based on NGT's submission, all three locations will be connected as single final customers, thereby falling under the exemption criteria outlined in paragraph 3.2(1)(a) of Annex 1 of the Gas Regulation (EC) No. 715/2009. Consequently, these points do not require classification as 'relevant points', and their inclusion in the Baseline Exit Capacity table maintains regulatory consistency with broader transparency obligations.

To note, as stated in our Statutory Consultation<sup>6</sup>, the Rough and Teesside proposed modifications result from a unique set of circumstances and at the outset the proponents were able to demonstrate to Ofgem that there is a need for regulatory intervention. Our proposals should not be regarded as a wider departure from standard industry processes for capacity allocation detailed in our Statutory Consultation. Ofgem intervenes only where necessary to protect consumers' interests and in circumstances where we consider regulatory intervention to be appropriate.

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<sup>4</sup> [UNC678 - Decision](#)

<sup>5</sup> [Regulation \(EC\) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation \(EC\) No 1775/2005 \(Text with EEA relevance\)](#)

<sup>6</sup> [Statutory Consultation to modify the Gas Transporter licence](#)

## **Responses to Our Statutory Consultation**

Five responses were received in respect of the three proposals to which this decision relates. Three of the responses received were submitted on a confidential basis, while the remaining two are non-confidential, and are published alongside this letter.

### Rough

Three respondents were in support of this proposal, and two respondents did not address the proposal. One respondent, Centrica, underscored the critical importance of sustaining GB-based gas storage facilities in safeguarding long-term energy security. They further stated that increasing Baseline Capacity at the Rough ASEP aligns with the sector's strategic priorities and resonates with Ofgem's principal objective to secure the interests of both current and prospective energy consumers. Additionally, Centrica asserted that, in the long term, the Rough storage facility has the potential to be repurposed for a future UK hydrogen economy. Another respondent stated that this was a pragmatic solution for users in this part of the system. The third respondent recognised the concerns expressed by Centrica in relation to entry capacity for Rough.

In their consultation response, Centrica did note that if the Rough facility were to expand in the future, the Baseline Entry Capacity reallocated from Easington would need to be increased accordingly. Any future need for additional Baseline Entry Capacity would be subject to the requisite industry processes.

### Teesside

Two respondents were opposed to this proposal, and expressed reservations about the perceived lack of clarity in the mechanisms and triggers for Ofgem to make regulatory interventions to propose changes to Baseline Capacity. Both were of the view that the Teesside proposal bypasses the PARCA process. Accordingly, they were concerned about regulatory consistency. Respondents further set out in their responses that the Teesside project had no final investment decision certainty, that Ofgem did not provide analysis that demonstrated the proven need for this change, and that Ofgem had not evidenced the position that the circumstances of the Teesside project justified regulatory intervention.

Two respondents supported this proposal. One highlighted GB's expected growing reliance upon LNG, and therefore the importance of the Teesside project to ensuring GB's ongoing security of supply. The other respondent acknowledged the concerns raised by Wavecrest regarding entry capacity at Teesside. The remaining respondent did not address the proposal.

### Additional Exit Points

One Respondent was in support of this proposal: the respondent agrees with their classification as excluded from the definition of relevant points under Article 18(4) of Regulation (EC) 715/2009, as each location will be connected to a single final customer, aligning with the regulatory framework. The remaining consultation respondents did not express a view.

## **Decision**

Having carefully considered the responses to the Statutory Consultation, as well as further information received from Wavecrest regarding the Teesside project, we have decided to proceed with two of the three proposed modifications to the Licence, limited to the reallocation of Baseline Capacity to Rough ASEP and the addition of new Exit points to the

Baseline Exit Capacity table. A Decision Notice detailing the changes will be published alongside this letter. The decision will take effect from 3 September 2025.

### Rough Baseline Proposal

The proposed reallocation of Baseline Capacity from Easington ASEP to Rough ASEP has the potential to strengthen GB security of supply. GB's gas security of supply is enhanced by a diverse and flexible gas supply mix, and this measure is supportive of Rough and its potential contribution to system resilience and flexibility. Accordingly, this decision supports Ofgem's principal objective to protect both current and future consumers, and their interests in security of supply. Accordingly, this decision supports Ofgem's statutory duty and principal objective to protect both current and future consumers, and their interests in security of supply. Centrica has stated that in the long-term there is the option for Rough to be re-purposed to support hydrogen, which has the potential to be positive for the UK's net zero aims and the hydrogen economy.

The Rough modification was supported by consultation respondents, demonstrating support from within industry for our position, and that this is a proportionate and well-supported regulatory action.

We have decided to approve this proposed modification to the Licence.

### Teesside Baseline Proposal

We proposed to increase Teesside ASEP's Baseline Capacity because we recognised that the proposed Teesside project provided a time-limited opportunity within which GB could secure access to additional LNG import capacity. At the time of the consultation, we were reasonably satisfied, based on representations made by Wavecrest, that the underlying project would proceed, that the proposed modification to the Teesside ASEP was critical for this. We considered that this proposal could protect the interests of current and future consumers through enhanced security of supply and support economic growth. These considerations were especially informed by the context of the increasing importance of LNG to GB security of supply. We also accepted representations and evidence provided by Wavecrest that the existing PARCA framework, including the timing of auctions, the duration of the products offered, and potentially the pricing, failed to ensure timely access to the appropriate bundle of products for a new facility of this type, and would jeopardise the viability of the project.

Since publication of this consultation, Wavecrest, have advised us that previously stated plans for the Teesside project have now been paused. We consider this to be a material change to the status of the project and underlying facts and circumstances which supported the proposed modification.

Ofgem's decision to consult on this regulatory intervention was based on tangible and demonstrable need for regulatory intervention to protect the security of supply interests of current and future energy consumers, and support economic growth, and we no longer have the necessary certainty regarding the immediate need for additional Baseline Capacity at Teesside ASEP. Regulatory actions must align with Ofgem's principal objective. Given the significant uncertainty surrounding the Teesside project, the supposed benefits to consumers remain speculative.

We remain open to future engagements with Wavecrest regarding the Teesside project and indeed any other industry participants. We note that NGT is currently reviewing the PARCA framework, and reforms may be implemented following this review. Accordingly, the PARCA framework may in the future provide a more suitable industry process for industry participants pursuing such projects.

We have decided not to proceed with this proposed modification.

## Additional Exit Points

The addition of Sandbach Power Station, Shotton Mill CHP, and Thurrock Power Station to the Baseline Exit Capacity table represents an administrative change, reflecting NGT's latest commercial developments. This update ensures the Licence remains accurate and consistent with regulatory transparency obligations, without introducing material modifications to existing obligations.

We have decided to approve this proposed modification to the licence.

If you have any questions regarding our decision, please contact us using the following email address - [gas.systems@ofgem.gov.uk](mailto:gas.systems@ofgem.gov.uk).

## **Further Comments on NTS Capacity Release and Allocation**

For the avoidance of any doubt, this section on NTS Capacity Release and Allocation does not form part of the Authority's formal decision. It is provided to suggest areas for industry consideration on related issues and does not represent a settled policy position.

The scope of this decision is limited to the proposed modifications at Rough, Teesside, and other Exit points. Ofgem acknowledges, however, that respondents to the Statutory Consultation for this decision, and indeed the previous cancelled Statutory Consultation ending 3 January 2025 regarding the same proposals<sup>7</sup>, gave significant industry feedback in relation to both the industry and regulatory frameworks governing NTS Entry Capacity Release and Allocation.

In both processes, industry participants repeatedly expressed concern regarding:

- the current level and application of a PARCA fee,
- the transparency of the PARCA framework's steps,
- the timeline for conducting a PARCA,
- the level of security required, and
- the capacity commitment required.

We understand that these factors may have an impact on the effectiveness and appropriateness of the PARCA process as the primary means for some industry participants obtaining capacity.

In addition, some industry participants suggested a need for a clearer mechanism and thresholds for Ofgem to make regulatory interventions or receive submissions seeking Ofgem regulatory intervention. Such mechanisms do not presently exist in any formal arrangement within the regulatory framework.

We acknowledge the views from industry, of a need for further consideration to ensure both industry and regulatory arrangements are fit-for-purpose across the energy transition. In the context of this feedback, the following is suggested for industry consideration.

## Industry Process – PARCA framework

As noted in our Statutory Consultation, NGT recently initiated a review of the PARCA framework through UNC0901R: "Review of the arrangements for reservation of NTS Capacity" ("UNC0901R")<sup>8</sup>, with the objective of enhancing its effectiveness and addressing key concerns. We are supportive of NGT having raised this review modification.

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<sup>7</sup> [Statutory Consultation to modify the Gas Transporter licence](#)

<sup>8</sup> [Review of the arrangements for reservation of NTS Capacity | Joint Office of Gas Transporters - Gas Governance](#)

The current PARCA framework was implemented over a decade ago in February 2015 via Authority Direction on UNC452V and 465V: "Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA) and Introduction of the PARCA, weighted Average PARCA Security".<sup>9</sup> An effective market led process for entry capacity release remains necessary in Ofgem's view, to provide accurate market signals to NGT on network investment and ensure that limited network capacity is released in areas of greatest need and consumer benefit.

We note that Transmission Workgroup Members have stated in the UNC0901R Modification Report, that they consider the PARCA framework as no longer fit for purpose and does require reform, and that the report identifies several areas for further consideration. We understand that the Transmission Workgroup is due to report back to the UNC Panel on 17 July 2025.

Subsequent to UNC0901R being concluded, we understand that NGT intends to consider possible reforms and may raise UNC modifications proposing changes to the PARCA framework. We suggest that NGT include those matters raised above in any upcoming consideration of possible reform. In particular, we suggest consideration may be given to the following:

- **PARCA fees** – whether the current fee levels are commensurate with the level of work required to be undertaken by NGT at each phase.
- **Transparency of PARCA framework** – what options for capacity release different types of applicants have, and what levels of service they should expect from NGT across the process.
- **Timelines for conducting PARCA** – what timelines for NGT completion should be, and whether truncated timelines can or should be offered for certain projects, or projects where applicants are willing to bear costs.
- **Level of security required by NGT** – whether current security requirements are commensurate with the level of risk posed by projects and balance risks to consumers against the need to avoid financial disincentives for applicants.
- **Capacity commitment required by NGT** – whether current capacity commitments are calibrated appropriately to ensure economic value is delivered to end consumers.
- **Means for escalating complaints or objections to mediation or the regulator (Ofgem)** – whether existing mechanisms within the UNC remain appropriate, or whether other escalation avenues are required, and if so, what appropriate thresholds should be for escalation.

#### Regulatory Arrangements – Baseline Capacity

Subject to NGT reviewing the PARCA framework and any subsequent relevant UNC modifications (if raised), Ofgem will consider whether there remains any need to review the routes for Ofgem to propose changes to Baseline Capacity in the License outside of the PARCA process. Any such review of regulatory arrangements will take into account the impact of any industry process reforms.

Yours sincerely,

**William Duff**  
**Head of Gas and Hydrogen Systems Management and Operation**

Signed on behalf of the Authority and authorised for that purpose

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<sup>9</sup> [Uniform Network Codes \(UNC\) 452V and 465V: Introduction of the Planning and Advanced Reservation of Capacity Agreement \(PARCA\) and Introduction of the PARCA, Weighted Average PARCA Security | Ofgem](#)