

19<sup>th</sup> August 2025To: [RIIO3@ofgem.gov.uk](mailto:RIIO3@ofgem.gov.uk)Cc: [Adrian.Richardson@ofgem.gov.uk](mailto:Adrian.Richardson@ofgem.gov.uk) Deputy Director of Energy Systems Management & Security

Dear Ofgem RIIO-3 Network Price Controls Team,

Dragon LNG welcomes the opportunity to submit a response to Ofgem's RIIO-3 Draft Determinations for the Electricity Transmission, Gas Distribution, and Gas Transmission sectors. We commend Ofgem's commitment to ensuring a secure, resilient, and net-zero compatible energy system for Great Britain and the support the Draft Determinations has given to the West Import Resilience Project (WIRP). Accepting the needs case on the scope described as Option 11, ensures there is sufficient investment to support the GB's growing import requirement whereby two of the three UK terminals are located in West Wales with flows to the rest of the UK network expected to increase particularly during peak periods.

## **1. Our key concern on the Draft Determinations**

Our response deals with the necessity to address any possible confusion around section 3.144 (page 46) of the National Gas Transmission Report which reads:

### Baseline Obligated Entry Capacity at Milford Haven

*3.144 This investment will result in a material increase in physical entry capacity at the Milford Haven System Entry Point. As any additional capacity has not been delivered through the established UNC process, we do not propose to increase the level of Obligated Firm Entry Capacity that National Gas is required to make available under Special Condition 9.13. We will continue to work with the industry throughout RIIO-GT3 to review Baseline Obligated Entry and Exit capacities.*

Our concern is on the statement “we do not propose to increase the level of Obligated Firm Entry Capacity” as it provides considerable uncertainty as to if and how any increase will be achieved once that additional capacity is installed by National Gas.

Based on Dragon LNG's discussions with National Gas, NESO, DESNZ and indeed Ofgem's own statements in the report, the need for increased capability is clearly recognised, for example:

*3.140 “Although the CBAs performed did not quantify the benefit that Option 11 would deliver for GB's Security of Supply, this will improve because of the increased entry capability to accommodate higher LNG flows due to increased Milford Haven regasification capacity”*

## **2. Importance of baseline capacity to Dragon LNG**

NTS Entry Capacity provides user with a financial right to enter gas into the network, while the Baseline Quantity at each ASEP, as specified in NGT's Licence, stipulates the amount of capacity which NTS must make available, not including any obligated incremental capacity which has been released. NGT is able to release additional capacity on a non-obligated basis, but this is typically only done on a short-term basis (daily).

The Milford Haven ASEP is further complicated by the fact that two LNG terminals are active and share the NTS Entry Capacity at this entry point. While the current baseline level has been sufficient to support flows from both terminals, at least during periods of higher UK gas demand, additional investments being

made at the South Hook LNG terminal will mean that this will no longer be the case. And if the respective exempted capacity holders at that terminal elects to book long term baseline entry capacity at the ASEP, this could restrict future capacity holders at Dragon to deliver LNG into the network. The WIRP will deliver the additional 163 GWh/d of physical capacity at the ASEP, however, the capacity availability, as provided for by the Baseline Quantity, will not be available until after completion.

Future users of our LNG terminal will therefore require a high degree of certainty that there will be sufficient NTS Entry Capacity available to flow their cargoes onto the network, noting that the re-gasification of a whole cargo will take place across a number of days. Subsequently, potential purchasers of LNG capacity from 2029 must get that long term certainty that the new baseline will give them, across the duration of their terminal use agreements, ensuring there is sufficient capacity to support the unloading of their cargoes.

Since the WIRP will achieve the required additional capacity and it is expected to be completed by 2029, this allows Dragon to market the facility's 300 GWh/d send-out capability, as per the Ofgem regulated third party auction process that will occur later in 2025. Given that Final Determinations are not expected before December, we would need to give assurance to those companies participating in the auction process that there is no risk in accessing the network's capability once the WIRP is operational. If risk is perceived, it is likely that this will, as a minimum, impact any competitive bid or dissuade them from participating at all. The market, based on the preliminary expression of interest phase, is aware of the PARCA application no longer proceeding and the wording in the draft determinations may increase their view on this risk. Therefore, it is imperative that assurance is given prior to the start of the formal auction period (expected by end Q3 2025).

### **3. Our Request**

We respectfully request that Ofgem includes a definitive statement within the Final Determinations, or a separate communication, affirming its support for the re-baselining of network capacity following the completion of the West Import Resilience Project. This statement should clearly articulate that the increased capacity delivered by the project will be formally incorporated into the relevant network baseline for regulatory purposes once National Gas proceed with its application and can be achieved before the start of our new capacity period (Q3 2029).

We hope that this cover letter emphasizes the importance of linking the WIRP with an increase in the Baseline Quantity at the Milford Haven ASEP, noting the sensitivity for Dragon with the upcoming terminal capacity auction. If the options set out above are not acceptable to Ofgem then we request that through whatever means available, potential bidders in the Dragon terminal capacity auction are made aware of the intention to increase baselines in accordance with the planned completion of the WIRP.

We would welcome any discussion around this letter, and particularly the potential routes for signalling the intended increase to the Baseline Quantity.

Thank you for considering our submission.

Yours sincerely,



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Managing Director  
Dragon LNG and Dragon Energy