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Dear Jenny,

## **Re: Code Governance Review: Governance of Charging Methodologies – Initial Proposals**

Statoil (UK) Ltd (STUK) recognises that the UK gas market has, in recent years, undergone significant change and with the increasing emphasis on sustainable development, climate change and security of supply, is entering a period of further reform. It does not however believe that the concerns around the governance of the charging methodologies and its ability to manage such change, warrant significant restructuring.

STUK believes that retaining the status quo arrangements would be the most economic and efficient solution for the Gas industry as a whole. The current arrangements allow the opportunity for non-NWO parties to (informally) raise and discuss charging related issues with the NWOs which can then be developed in to full proposals. The Transmission Charging Methodologies Forum (TCMF) discusses all transmission charging proposals and as a well attended group, enables shippers and suppliers to have input at an early stage into the development of charging methodologies as well as bring forward alternative options.

If Ofgem do however, maintain the view that retention of the status quo is not an option, STUK view Option 2 as the least worst alternative. Option 2 formalises the behaviours which are already occurring in the Gas Charging Methodology regime, recognising the ability for non-NWO parties to raise proposals whilst retaining the obligation for NWOs to keep their methodologies under review.

STUK does not support Option 3, subjecting the charging methodologies to existing code governance procedures. The costs of implementing this option both financially and in terms of increased regulatory burden will far outweigh the benefits it is set to achieve.

With either option, there is a risk that a high level of proposals with many alternates will be raised, even if restricted to a 'proposal window', which will create a large regulatory burden and an increase in costs for the industry. Ultimately any fluctuations or unpredictable changes in charges will be passed through to end consumers.

It could also be questioned whether any industry party other than an NWO would have the ability to develop a charging proposal to the level of detail necessary to meet the standards required to enable it to be progressed, particularly if it is proposed that this administrative hurdle should act as a mitigating measure against 'trivial or vexatious proposals'.

Regardless of the option chosen STUK does not believe that the ability for non-NWO parties to raise changes to the charging methodologies should be extended to consumer representatives, and support the view that as the UNC is a contract between gas shippers/suppliers and the gas transporters the ability to amend it should only be allowed to those that are signatories to it.

STUK trust that our comments will be given due consideration and should you wish to discuss any aspect of this response further please contact me on the above number.

Yours sincerely

\*

Shelley Rouse  
UK Regulatory Affairs Advisor  
Statoil (UK) Ltd

\* note that due to electronic transfer this letter has not been signed