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Dear Deklan,

## **Open letter consultation on changes to Ofgem licensing policy for gas traders reference 06/12.**

National Grid Transmission (NGT) welcomes the opportunity to respond to the above consultation.

NGT owns and operates the National Gas Transmission System (NTS). In association with the Gas Distribution Network Operators NGT also jointly provides for the administration of the Uniform Network Code (UNC) Governance arrangements through the Joint Office of Gas Transporters.

This response is on behalf of NGT and is non-confidential.

Notwithstanding Ofgem's views expressed in their open letter, we believe that gas traders would still be required to accede to the UNC to enable them to use the relevant UNC systems and ensure they are bound by appropriate UNC terms and conditions related to their activities.

We also consider that the removal of the requirement for gas traders to hold a Shipper Licence would require corresponding changes to be made to the UNC. We (NGT) have accordingly raised UNC modification proposal 0338 "Remove the UNC requirement for a 'gas trader' User to hold a Gas Shipper Licence" to:

- Define a new UNC User type, a Trader User, who is solely engaged in "NBP" gas title trading activities, as distinct from other categories of Users (i.e. Shippers) who engage in physical activities (as referenced under Section 5 (1)(c) of the Gas Act);
- Remove the requirement for a Trader User to obtain a shipper Licence as a pre-requisite to acceding to the UNC. For avoidance of doubt a Shipper User engaged in gas conveyance would continue to be required to hold a shipper licence as a pre-requisite to acceding to the UNC.

Ofgem have set out their views on licensing policy for gas traders summarised as quoted from their open letter below:

- "1. As gas traders' activities do not fall into the prohibition of unlicensed activities contained in the Gas Act 1986 (the 'Gas Act'), we [Ofgem] should no longer issue a gas shipper licence to these parties.
2. Requiring a gas trader to have a gas shipper licence represents an inappropriate barrier to entry, especially for small parties.

3. Clearly defining gas trading as a separate activity from gas shipping would make the status of industry parties more transparent.
4. Removing the barrier is also consistent with our [Ofgem's] duty in respect of better regulation and the Government's red tape challenge."

On the whole NGT agrees with the above. Having considered the proposal and the existing UNC, NGT consider that holding a shipper licence should not be a pre-requisite for Trader Users becoming a party to the UNC, when those parties are solely engaged in gas title trading activities and therefore do not intend to arrange for the conveyance of gas.

## **Response to questions raised in the open letter**

### ***Question 1: Do you agree that traders who are not involved in the activities prescribed by the Gas Act should not be required to have a gas shipper licence?***

Ofgem's views on the related matters as described in the open letter appear to address the industry's concerns relating to the change in licensing policy. NGT agrees with the views expressed in the consultation. Therefore NGT agrees that traders who are not involved in the activities prescribed by the Gas Act should not be required to have a gas shipper licence.

### ***Question 2: Do you agree with our [Ofgem's] assessment of the issues raised by the proposal?***

NGT is satisfied that Ofgem has provided appropriate assessment of the issues that the industry has raised concerning their proposal.

### ***Question 3: Do you agree with our initial views on addressing these issues?***

NGT agrees with Ofgem's initial views on these issues.

In conclusion National Grid Transmission is supportive of the proposal to remove the requirement for 'Trader Users' to hold Gas Shipping Licences.

Yours sincerely,

[by email]

Ritchard Hewitt  
Gas Codes Development Manager - Transmission