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16th September 2013

Gas Forum response to Ofgem Gas Transmission Charging Review – Call for Evidence

Dear Andy,

The Gas Forum welcomes this Call for Evidence and Ofgem's intention to consider the impact of the European Tariffs Framework Guidelines (FG) on the GB market arrangements. We believe this a timely review and one that is best led by an independent regulator given the inevitable breadth and diversity of commercial positions adopted by industry participants. Given the diverse nature of our membership, it is not possible for the Gas Forum to provide a single view on specific charging issues, but note that our members are likely to have strong views both for and against change on many aspects of the GB charging arrangements; all of which will need to be carefully considered by Ofgem.

The Gas Forum believes that the primary objective of this review should be to deal with the implications of the Tariffs FG in GB and ensure our market arrangements are compliant. A secondary objective should be to consider issues raised by industry participants and, if necessary, agree a plan of action for considering them. We are unsure of the value of "throwing everything into the pot" as the overall objectives risk becoming unrealistic and difficult to reconcile. It may be better that this review is broken down into smaller, discrete pieces of work, with staged deadlines to reflect the significance of the issues and to spread the inevitable burden on industry over a longer period of time. We would welcome Ofgem's views on what it considers would be an appropriate timescale for reviewing the GB market arrangements which takes into account other policy interactions.

If following this review Ofgem identifies a need to change the charging arrangements, we must press upon you the importance of sufficient notice to allow market participants to adapt to the new arrangements. We would also not want to see retrospective application of any changes to the arrangements, as a general rule of good governance.

Above all, we do not believe that specific charging issues should be prevented from being progressed by Shippers under the UNC governance arrangements whilst this review is underway. To do so may prevent important and commercially significant issues being legitimately considered. In addition, if it is Ofgem's intention that this review should become the next gas Significant Code Review (SCR), then we urge Ofgem to signal this as early as possible.

To be clear, the Gas Forum can see little justification for the review to be designated a SCR as any Code changes required to implement modifications are likely to be straightforward. We believe that recent history has shown that the SCR process has not proven to be any more efficient than standard Code governance procedures.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R Fairholme', written over a faint, light-colored circular stamp or watermark.

Richard Fairholme

Chair, Gas Forum Wholesale Markets Group