

David Reilly  
Transmission and Distribution Policy  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

Your ref  
Name Charles Ruffell  
Phone +44 (0)1793 893983  
Mobile +44 (0)7989 493580  
E-Mail  
charles.ruffell@RWE.com

22<sup>nd</sup> December 2014

Dear David

**Gas transmission capacity - proposal to terminate Permit Arrangements and adjust the revenue earned from Permit Arrangements for the period 1 April 2013 – 31 March 2015  
November 2014**

We thank you for the opportunity to respond to this Consultation. The comments are provided on behalf of RWE Supply and Trading GmbH, RWE Generation UK plc and RWE Npower Group.

Ofgem has previously signalled its intent to review the Permit Arrangements following the introduction of new commercial arrangements. We agree that this is now appropriate in light of the recent decision to implement UNC Modification Proposal 0465<sup>1</sup> on 2<sup>nd</sup> February, 2015. Aligning the release of incremental gas capacity with planning processes will remove NGGT's risk of having to defer delivery of incremental capacity from the default lead times set out in its Gas Transporter licence. On this basis, Permits are no longer required to manage future risk.

We still have concerns that the process for assessing revenues "earned" to date from unused Permits has resulted in windfall gains. The projected data, upon which the allowances were based, provided by NGGT, has proved to be inaccurate.

The point at which Ofgem considers that "new commercial arrangements are introduced" needs to be clarified as this will impact upon when NGGT can manage its delivery risk via the PARCA arrangements. Although the UNC modification has been approved, there are a number of outstanding associated documents to be finalised and agreed, including the Contract and Methodology Statements.

**Question 1: What is your preferred approach to adjust the revenue earned from Permits? If you have an alternative, please explain how it would work.**

We do not support Option 1 (pro-rating allowances is not appropriate) or Option 2 (inappropriate to arbitrarily split based on entry or exit capacity). Our preference is Option 3 because it attempts to reduce the Permits Allowance based upon NGGT's future reduction in risk faced. We still have concerns that the process for assessing revenues "earned" from unused Permits has resulted in windfall gains. The projected data upon which the allowances were based and provided by NGGT, has proved to be inaccurate.

The point at which Ofgem considers that "new commercial arrangements are introduced" needs to be clarified as this will impact upon when NGGT can manage its delivery risk via the PARCA arrangements. Although the UNC modification has been approved, there are a number of outstanding associated documents to be finalised and agreed, including the Contract and Methodology Statements.

---

<sup>1</sup> Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA), Weighted Average PARCA Security

**Question 2: What are your views on our Licence change proposals?**

The proposed drafting appears to reflect the amendments necessary to terminate and adjust the revenue earned from the Permit Arrangements for 1<sup>st</sup> April 2013 to

If you require any additional information or wish to discuss any aspects further, please do not hesitate to contact me.

Yours sincerely

By email so unsigned

Charles Ruffell  
RWE Supply & Trading GmbH  
Commercial Asset Optimisation UK