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Response to Ofgem consultation on its policy position on future entry charging arrangements

20 March 2015

Dear Sirs,

DONG Energy is pleased to provide a response to the above mentioned consultation.

Our ref. petbi

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With the harmonisation of gas transmission and charging systems across Europe, it is important that the UK gas transmission charging system remains consistent and competitive vis-à-vis neighbouring systems in order to attract gas volumes and support gas development in the UK.

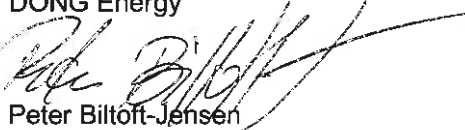
Our key messages are:

1. DONG Energy agrees with the principle that all shippers using the system should contribute towards covering the historical costs of providing the system. Furthermore, the current UK system, where long term capacity holders pay a capacity charge coupled with a high commodity charge, is inefficient and could distort cross border trade. This leaves UK supplies vulnerable compared to other gas charging systems in Northwest Europe. Against this background DONG Energy supports the proposal of capacity payments for short term bookings and introduction of a fully-floating capacity charge.
2. For DONG Energy, predictability of tariffs is important. As a consequence DONG Energy would favour a relatively small discount for short term capacity to ensure a smaller absolute variation in the fully floating capacity charge. This would also help overcome the distortionary effects on shippers holding long term and less utilised capacity.
3. During the consultation process, concerns have been raised that the fully floating tariff may negatively impact trading. Further, decreasing gas volumes in the UK may lead to increases in the entry tariff level negatively impacting the competitiveness of the UK gas market. Against this background, DONG Energy finds it appropriate that consideration is given to the overall split between entry and exit tariffs in the UK system.

We look forward to the your final policy position and we are of course ready to elaborate on any questions which our letter may have given rise to.

Yours sincerely

DONG Energy

A handwritten signature in black ink, appearing to read 'Peter Biltoft-Jensen', with a long horizontal stroke extending to the right.

Peter Biltoft-Jensen

Head of Regulatory Affairs, Gas and Trading
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