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Dear David

Impact Assessment of UNC modifications 0501V, 0501AV, 0501BV and 0501CV “Treatment of Existing Entry Capacity Rights at Bacton ASEP to comply with EU Capacity Regulation” May 2015

We welcome the opportunity to respond to this Impact Assessment. This response is provided on behalf of RWE Generation SE and RWE Supply and Trading GmbH.

Our response to the UNC modifications 0501, 0501A, 0501B and 0501C “Treatment of Existing Entry Capacity Rights at Bacton ASEP to comply with EU Capacity Regulation”, set out our support for 0501B, noting that it offered the most balanced and proportionate solution. Further, in our view it is less disruptive to the processes needed to facilitate two new distinct ASEPs at Bacton and more consistent with the principle of User Commitment. By providing a mechanism for Users to only return capacity that has been allocated in excess of the Users’ requirements at one of the newly created ASEPs, it allows Users to match their capacity booking with their intended gas flows and ensures that existing Bacton users will not be forced to hold and pay for entry capacity at an ASEP that they do not want to use.

The two key issues raised by the 0501 suite of modification proposals are:

- the loss of the ability to use capacity interchangeably and flexibly at Bacton as a consequence of the reassignment of long-term bookings between the two entry points, and
- the impact on the TO commodity charge from returning capacity to NGG which is included in 0501AV, 0501BV and 0501CV as a way of managing existing capacity holdings.

In its Impact Assessment, Ofgem has sought to quantify the impact on the TO commodity charge of the capacity return options, but has only included a scenario-based qualitative assessment of the impact of reduced flexibility. Based upon this assessment, we agree with Ofgem’s conclusion that 0501V would have the most impact on existing holders of Bacton capacity in terms of reducing their ability to use their capacity flexibly between the three potential entry sources into Bacton.

In principle, we believe that the new arrangements need to include a mechanism for shippers to manage actively their existing Bacton capacity holdings as part of the reassignment process. For this reason, we do not support 0501V. We recognise Ofgem’s concerns about the potential adverse effects of returning capacity to NGG. However, there are two important factors to note in relation to 0501BV:

1. the quantitative assessment of the TO commodity charge impact shows that 0501BV leads to the lowest increase of the other proposals; and
2. under 0501BV a shipper may only return assigned capacity which is against their original request, so it does not provide for an unconstrained return of capacity. This is more consistent with User Commitment principles.

The aggregate overrun/rebate mechanism, proposed as part of 0501CV, could have formed part of an enduring solution by reintroducing some of the flexibility lost as a result of implementing CAM at Bacton. It is disappointing that Ofgem has not attempted to quantify the benefits and has not provided a more detailed qualitative view of why it believes its negative impacts outweigh the positive.

In conclusion, our views set out in the response to UNC modifications 0501, 0501A, 0501B and 0501C remain unchanged and the Impact Assessment has reinforced our support for 0501BV.

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

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