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Re: Review of the Fleetwood entry point in gas transmission

Dear Pete,

This response is submitted by National Grid Gas Transmission (NGGT). We operate and own the gas transmission assets in Great Britain. Our response below covers both the treatment of the funding and the capacity obligation. Our overarching view is that we believe both issues would be best addressed as part of the RIIO-T2 development and close out of RIIO-T1. However we do not have objections to Ofgem's proposals as the arguments for and against are finely balanced.

The treatment of Fleetwood funding

As stated by Ofgem, the possibility that any expenditure would be incurred in the remainder of this price control period to provide capacity at the Fleetwood entry point is small. However, removing the funding now, whilst keeping the capacity obligation, would leave an unbalanced risk with NGGT. In addition we do not see any compelling reason to reconcile allowances at this point, as the total cost to consumers is the same whether the allowances are reconciled now or as part of the RIIO-T2 process. Therefore our preference would be to allow the existing processes to be followed.

The treatment of the capacity obligation at Fleetwood

We see pro and cons of each of the three options that Ofgem propose. Removing the capacity obligation altogether may impact projects in development, which could be detrimental to UK gas consumers. However, if no action is taken developers would stand to benefit without the need for a User commitment as required at all other locations for new capacity. It should be noted that, in part, the economic benefit of this may be addressed by the current charging review of capacity discounts, which is likely to conclude in 2018.

We think it is important that Ofgem consider the responses from System Users and developers to understand the relative merits of the options. From an NGGT perspective, we see a number of issues with the current baseline capacity obligations and the associated lack of User commitment underpinning these. We think that this is a topic that should be considered as part of the RIIO-T2 process and therefore it may be more appropriate to include the Fleetwood issue in this wider debate.

We hope you find this response helpful. If you would like to discuss any of the above please do not hesitate to contact me.

Yours Sincerely

Mark Brackley
Head of RIIO Delivery