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**1 November 2017**

Dear David

**Consultation on proposals to implement aspects of Regulation (EU) 2017/460, the European Network Code on harmonised transmission tariff structures for gas (TAR NC)**

We welcome the opportunity to provide our views on Ofgem's proposed approach to implementing the TAR NC in the GB market.

We support Ofgem's proposal to make NGG responsible for undertaking certain tasks arising from TAR NC. However, we have concerns about Ofgem's proposal to use the UNC0621 Draft Modification Report (DMR) as a final extended Article 26 consultation and to commence the final consultation no later than 2 April 2018.

In our view, given the scale and potential industry impacts of the upcoming change, the UNC0621 modification proposal should undergo its own thorough development process to ensure that this proposal and any alternatives are well developed and carefully assessed before proceeding to the final Article 26 consultation.

We are concerned that forwarding ACER the UNC0621 DMR as the final extended Article 26 consultation document, as is currently proposed by Ofgem, will mean that ACER and neighbouring NRAs will not have a benefit of considering the information available through the UNC 0621 Final Modification Report, Panel Recommendation and Ofgem's initial Impact Assessment. This might lead to the important information not being taken into account by ACER and adjacent NRAs when making their recommendations.



Our detailed views on Ofgem's proposals are outlined further in this document.

Kind regards

Polina Kharchenko  
Regulation Manager

### **Response to consultation questions**

- 1. Ofgem's proposal to make NGG responsible for undertaking certain tasks arising under TAR NC and to direct a timetable for their completion. Further details are provided in Annex 1.**

We support Ofgem's proposal to make NGG responsible for undertaking certain tasks arising from TAR NC. However, we do not consider that Task 5 of Annex 1 and additional items set out in Table 2 of Annex 1 outline the best approach for complying with TAR NC requirements.

Specifically, we do not consider that a single-stage approach, where the UNC0621 modification and the final Article 26 are consulted on at the same time through a single consultation document, is the most appropriate way forward. In our view, given the scale and potential industry impacts of the upcoming change, UNC0621 should undergo its own thorough development process to ensure that the proposal and any alternatives are well developed and carefully assessed against the relevant objectives. In our view, aligning the UNC0621 consultation with the Article 26 consultation, as well as the matters mentioned in Article 28 (3) and Article 7, creates unmanageable workload for the industry, NGG, ACER and Ofgem itself. Complexity of such a consultation package may also mean that the consultation process would require significantly more time to assess all implications arising from it.

Separately, we appreciate the importance of involving ACER and adjacent NRAs at the right time in the process. However, we are concerned that forwarding ACER the UNC0621 DMR as the final extended Article 26 consultation document, as is currently proposed by Ofgem, will mean that ACER and neighbouring NRAs will not have a benefit of considering the information available through the UNC 0621 Final Modification Report, Panel Recommendation and Ofgem's initial Impact Assessment. This might lead to the important

information not being taken into account by ACER and adjacent NRAs when making their recommendations. We note that Ofgem proposes to direct NGG to issue a summary of industry responses to the DMR within one month of the consultation end. While we agree with this direction, we think that ACER will not have a sufficient time to consider industry responses in full before ACER's conclusions are to be published.

In summary, we would suggest that the following staged process and timetable is more practical and will achieve better outcomes with respect to TAR NC implementation in the GB market:

|                |  |
|----------------|--|
| March 2018     | UNC0621 issued for consultation  |
| May 2018       | Final Modification Report and UNC Panel recommendation   |
| June 2018      | Ofgem issue draft Impact Assessment for consultation with 'minded to' decision   |
| June 2018      | NGG prepare final consultation template on 'minded to' decision (review at TCMF)   |
| August 2018    | Consultation on Ofgem Impact Assessment closes   |
| August 2018    | Final extended Article 26 consultation issued to industry, ACER, adjacent NRAs with draft Impact Assessment and industry responses |
| October 2018   | Final extended Article 26 Consultation closes  |
| November 2018  | NGG publish response to Final extended Article 26 consultation   |
| December 2018  | Receive ACER conclusions   |
| Jan – Mar 2019 | Ofgem publish motivated decision and final Impact Assessment   |

We would also like to advocate for a transition period being put in place from May 2019 to allow NGG to demonstrate effective forecasting of the Forecasted Contracted Capacity (FCC). This will help avoid significant price impacts for industry participants and is in line with the approach taken by Ofgem with respect to the electricity tariff changes.

Separately, if Ofgem decides to pursue its proposed approach and align the UNC0621 DMR consultation with the extended final Article 26 consultation, it is our view that the proposed March 2018 date for the DMR submission is unrealistic. Given the current stage of the UNC0621 development, an extensive process associated with alternatives development and the proposed extended scope of the DMR, we suggest that Ofgem extends the March 2018 deadline by up to six months. We also note that there is no requirement arising from the implementation of TAR NC to commence the final Article 26 consultation on a specific date and a later date than March 2018 would still allow sufficient time for the May 2019 PRM implementation.

In line with the above, our view is that a three-month (rather than two-month) DMR consultation period would allow more time for stakeholders to carefully consider all aspects of the consultation and any alternative modification proposals that may arise.

**2. Ofgem’s proposal to align and extend the scope of the consultations required under TAR NC and industry procedures.**

We have strong reservations about Ofgem’s approach where the scope of the UNC0621 consultation is extended and this document is used as the final extended Article 26 consultation. We are also concerned about the timetable proposed by Ofgem. Please see our response to Question 1 for further details.

**3. Ofgem’s proposal to change the licence, detailed in Annex 2.**

We support the proposed changes to NGG’s Standard Special Condition A5 as outlined in Annex 2 of the consultation document.

**4. Ofgem’s proposed direction to NGG, detailed in Annex 3.**

We do not have any comments on the wording of the proposed direction to NGG pursuant to a modified gas transporter licence, as outlined in Annex 3. Our concerns in relation to Ofgem’s approach to the final extended Article 26 consultation are detailed in our response to Question 1.