

National Grid Gas plc;
all holders of a gas transporter licence;
the UNC modifications panel;
the Joint Office of Gas Transporters;
interested parties.

8 March 2018

Dear Stakeholders

RWE's response to our consultation on proposals to implement aspects of Regulation (EU) 2017/460¹, the European Network Code on harmonised transmission tariff structures for gas (TAR NC)

Background

On 4 October 2017, we² launched a consultation on proposals relating to the implementation of Regulation (EU) 2017/460 ("TAR NC") in GB.³ Our consultation closed on 6 November 2017 and we published the responses later that month. On 1 December 2017, we published decisions on three of our four proposals made in our October 2017 consultation and stated we had received seven responses and summarised these.⁴ We said we would make our decision on the specifics of the NGG direction after our statutory consultation on the proposed Licence modifications had closed on 4 January 2018.

RWE Supply and Trading GmbH/RWE Generation UK plc ("RWE") response to our October 2017 consultation

The statement in our 1 December 2017 publication that we had received seven responses to our consultation was incorrect. We omitted one response from RWE. We address the issues contained within RWE's response below.

RWE made a number of points in its response which relate to the decisions we made in our December 2017 publication.

- RWE thought that NGG was best placed to perform the tasks we set out in Annex 1 of our October 2017 consultation. This is consistent with our December 2017 publication in which we decided to make NGG responsible for undertaking certain tasks arising under TAR NC.

¹ Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0460&from=EN>. This is also referred to as the "EU Tariff Code".

² The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably. Ofgem is the Office of the Gas and Electricity Markets Authority. We are the National Regulatory Authority (NRA) in GB.

³ <https://www.ofgem.gov.uk/publications-and-updates/consultation-proposals-implement-aspects-regulation-eu-2017460-european-network-code-harmonised-transmission-tariff-structures-gas-tar-nc>.

⁴ <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-proposal-modify-gas-transporter-licence-following-decisions-proposals-relating-implementation-regulation-eu-2017460-tar-nc-qb>

- RWE did not agree with aligning the consultation required for industry purposes (UNC0621) and TAR NC final article 26 consultation. It felt that they serve different purposes and were therefore “necessarily different”. In our December 2017 publication we decided to align and extend the scope of the consultations required under TAR NC and industry process, and explained why we felt this was an appropriate course of action. We said we would make our decision on the specifics of the NGG direction after our statutory consultation on the proposed Licence modifications had closed.

In our direction decision, which we have published today, we provide an update on how the consultations shall proceed.⁵ We have decided that we will undertake the final article 26 consultation, whilst NGG will undertake a preliminary TAR NC article 26 consultation which shall take place at the same time as the UNC0621 consultation. In reaching this decision, we have taken into account these points raised by RWE.

RWE also raised issues which related to the draft direction. RWE seeks to ensure that “established practice” is followed. In its view, following a UNC modification panel recommendation on a modification proposal, Ofgem should undertake an impact assessment based on the relevant objectives of the UNC, its principal objective and wider statutory duties. RWE considers this is more consistent with TAR NC and UNC requirements.

Furthermore, RWE suggests that the final TAR NC article 26 consultation should not be the UNC consultation. RWE considers the final TAR NC article 26 consultation should be the Ofgem impact assessment and that this should be considered by ACER and the NRAs of directly connected member states. RWE also seeks clarification on areas of TAR NC requesting NRA justification, citing the use of multipliers and approach to revenue reconciliation.

We have addressed these issues both above and in our direction decision.⁵

We have now published RWE’s consultation response alongside the other responses and apologise for our oversight.³

Yours faithfully

Cathryn Scott
Partner, Energy Systems Division

Signed on behalf of the Authority and authorised for that purpose

⁵ <https://www.ofgem.gov.uk/publications-and-updates/decision-direct-national-grid-gas-plc-ngg-undertake-specific-tasks-implement-aspects-regulation-eu-2017460-european-network-code-harmonised-transmission-tariff-structures-gas-tar-nc>