

Joint Office, relevant Gas
Transporters, Shippers and other
Interested parties

Direct Dial: 0207 901 3874
Email: David.O'Neill@ofgem.gov.uk

Date: 19 March 2020

UNC718/A/B/C - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS: Urgency Application

On 6 March 2020, the Joint Office of Gas Transporters ("JO") received a request from National Grid Gas Transmission ("NGGT", the Proposer) that Uniform Network Code ("UNC") modification **UNC718** 'Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS'¹ should be treated as 'urgent' and proceed under a timetable approved by Ofgem.² Three more proposals (UNC718A/B/C) were submitted to the JO on the same day. We have decided we cannot consider the application for urgent status for UNC718/A/B/C. We set out our reasons below.

Background

On 17 January 2019, NGGT raised **UNC678**³ stating that it seeks to introduce gas transmission charging arrangements that produce stable and predictable transmission charges and ensure compliance with Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas ("TAR NC"). During the development of UNC678, workgroup members raised ten alternative proposals (UNC678A/B/C/D/E/F/G/H/I/J).

The UNC Panel met on 23 May 2019 and recommended that none of the UNC678/A/B/C/D/E/F/G/H/I/J modification proposals should be implemented. The Final Modification Report ("FMR") was sent to us on 29 May 2019 to make a decision on the proposals.

On 23 December 2019, we published our minded to decision and draft impact assessment.⁴ In our minded to decision, we set out our view that only two of the 11 modifications (UNC678 and UNC678A) were compliant with the relevant legislation and our minded to decision was to approve UNC678A. We consulted on our minded to decision for a period of two months, as required by Article 26 TAR NC. The consultation closed on 24 February 2020. We received 30 responses, as part of our Article 26 consultation and 2 responses from National Regulatory Authorities of directly connected Member States (in accordance with Article 28 TAR NC).

¹ <http://www.gasgovernance.co.uk/0718>

² Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority', 'we', 'our' and 'us' are used interchangeably in this letter.

³ <https://www.gasgovernance.co.uk/0678>

⁴ <https://www.ofgem.gov.uk/publications-and-updates/amendments-gas-transmission-charging-regime-minded-decision-and-draft-impact-assessment>

On 6 March 2020, NGGT raised UNC718 and requested that it should be treated as urgent and proceed under a timetable approved by the Authority. This modification proposes to introduce a discount for avoiding inefficient bypass of the National Transmission System ("NTS"). The discount is proposed to be available to directly connected NTS users located at or near NTS entry points. Three more proposals (UNC718A/B/C) were submitted to the JO on the same day. The proposers of these alternatives state that their proposed modifications address the same issues that have been raised under UNC718 and request that these alternatives follow the same timetable as UNC718.

Our decision

UNC718 proposes to amend the NTS Charging Methodology that would be introduced by UNC678 or UNC678A, should either of these modification be approved. NGGT also states that the proposed legal text is drafted based on the UNC text as it would stand if either UNC678 or UNC678A were to be approved.

We have been asked to assess this modification proposal on a 'conditional basis'. We have noted the views of Workgroup participants, UNC parties, and the JO. Both the licence conditions governing the arrangements around UNC and the existing UNC Modification Rules preclude us from considering proposals against a baseline that is not at that point in time part of the UNC.

For the reasons stated above, we have decided we cannot consider the application for urgent status for UNC718/A/B/C.

For the avoidance of doubt, in rejecting the request for urgency we have made no assessment of the merits of the proposal and nothing in this letter in any way fetters the discretion of the Authority in respect of UNC718/A/B/C or any other modification, including but not limited to UNC678.

Frances Warburton

Director, Energy System Transition

Signed on behalf of the Authority and authorised for that purpose