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David O'Neill, Alsarif Satti, Thomas Bourke  
Ofgem  
Gas Markets and Systems Team  
Email: [Gas.TransmissionResponse@ofgem.gov.uk](mailto:Gas.TransmissionResponse@ofgem.gov.uk)

18<sup>th</sup> February 2021

Dear David, Alsarif and Thomas,

**Re: UNC728/A/B/C/D (Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS) minded to decision and impact assessment**

Thank you for the opportunity to provide representation on the above noted proposals. Please find below the key points Northern Gas Networks would like to highlight in relation to our assessment of the potential impact of these proposals, to ourselves as a distribution network.

The concept of Conditional Discount (Optional Tariff) is a concept Northern Gas Networks believes is unfair in its regime, especially due to the Tariff not being time bound. Without time constraints it allows sites that utilise the mechanism, to continue to gain the discounted price after they have recuperated the initial detrimental cost. This introduces a principle that may result in an unfair cross subsidy to the rest of industry, on an ongoing basis.

Whilst we do not agree with these modification proposals and the introduction of the Optional Tariff; should Ofgem approve any of the modification proposals we ask that they consider requesting the following additional constraints to be added into the process:

- Should there be a requirement for an Optional Tariff then this should be time limited. This should ensure that the users do not gain a long-term advantage that we believe is not in the interest of competition. We make this conclusion based on the subsequent consequential increase to both NTS direct connects, and distribution networks, due to the lower charges for the sites taking advantage of the Optional Tariff. Any such increase to distribution networks would need to be passed on to our users via increased exit charges.

**we are  
the network**

Northern Gas Networks Limited is registered in England and Wales, no. 5167070.  
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- Should there be a requirement for an Optional Tariff, this should be restricted to new sites only and not be open for existing sites to move to. We believe that allowing existing users to utilise this results in unfair benefit, without the initial cost. Again, the benefits to these users would result in cross subsidy, which we believe is not in the interest of completion.

With reference to the specific proposals, Northern Gas Networks does not offer support for the proposal, nor its alternatives, and therefore are unable to state any preference.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

Tracey Saunders (via email)  
Market Services Manager (Industry Codes)  
Mobile: 07580 215743

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