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Sent by email to: [Gas.TransmissionResponse@ofgem.gov.uk](mailto:Gas.TransmissionResponse@ofgem.gov.uk)

Dear David,

**Response to Ofgem's minded to decision and impact assessment on UNC728/A/B/C/D - 'Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS'**

Centrica welcomes the opportunity to comment on this consultation. A robust shorthaul solution is required to avoid the significant risk of large NTS offtakes bypassing the system. We believe this is particularly true where there are groups of large industrial users situated close to some of the entry terminals where it would be beneficial for them to build their own pipeline. We believe it is therefore appropriate to incentivise customers on these routes to remain as users of the NTS, since in doing so they will continue to contribute to overall NTS costs.

We support Ofgem's 'minded to' decision in favour of 0728B. This 'minded to' decision is pragmatic and appropriate in that it recognises some of the particular issues arising from the configuration of the NTS and identifies that setting a shorter distance limit would exclude some sites with a relatively high probability of bypass. We agree with Ofgem that any solution needs to be proportionate and compliant, and we believe 0728B meets these criteria. The additional routes that would be eligible for shorthaul under 0728B compared to 0728 will lower the risk of sites bypassing the NTS and National Grid losing the associated revenue, which if lost, would increase transportation charges for users of the NTS. The analysis also suggests that there is almost no difference in the resulting socialisation costs as compared to modification 0728 and, in addition, Cepa's modelling shows that 728B has the highest first and second order consumer welfare gains, further supporting the implementation of this variant of the mod.

We agree that 0728B should be implemented on 1 October 2021. Given the next annual yearly capacity auctions are in July 2021 for capacity from October 2021, the proposed implementation date makes most sense.

Yours sincerely,

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