



Mr. David O'Neill
Head of Gas Systems, Energy System Transition
Ofgem
10 South Colonnade, Canary Wharf
London, E14 4PU
Great Britain

18 February 2021

By email: Gas.TransmissionResponse@ofgem.gov.uk

Re: Consultation minded to decision UNC728 / A / B / C / D as published 22/01/2021

Dear David,

Vermilion Energy Ireland Limited ("Vermilion") is pleased to respond to the consultation on Ofgem's minded to decision regarding UNC728 / A / B / C / D. Below we will repeat the eight questions in the consultation document and we will provide our respond to these questions. This Vermilion response can be published on your website at www.ofgem.gov.uk/consultations.

Question 1:

Do you agree with our assessment of the modification options against the applicable UNC objectives? If you disagree, please provide a fully reasoned explanation.

Vermilion response:

No comment

Question 2:

What are your views on our conclusion that the proposed modification proposals constitute a 'benchmarking' adjustment to the application of the reference price methodology (Article 6(4) TAR NC)? If you disagree, please provide a fully reasoned explanation.

Vermilion response:

No comment

Question 3:

Do you agree with our assessment of the quantitative analysis? If you disagree, please provide a fully reasoned explanation.

Vermilion response:

No comment

Question 4:

Do you agree with our assessment that UNC728C is discriminatory because of the risk that the discount may be used for a route other than a qualifying nominated route? If you disagree, please provide a fully reasoned explanation.

Vermilion response:

Vermilion fully agrees and we are glad to see that Ofgem has taken our comments on board, as provided in our representation dated June 24th, 2020.

Question 5:

Do you agree with our assessment of the modification options against our statutory duties? If you disagree, please provide a fully reasoned explanation.

Vermilion response:

No comment

Question 6:

Do you agree with our minded to decision to approve UNC728B?

We would expect any stakeholders alleging a risk of bypass to provide robust evidence demonstrating that risk, including any confidential commercial information (for instance, specific capital and operational costs required for the construction and operation of a bypass pipeline as well as - where possible - a structural representation of any bypass pipeline(s) they are considering).

Vermilion response:

Vermilion supports the minded to decision to approve UNC728B. In case representations from other stakeholders would provide evidence to Ofgem that approving UNC728B would still imply a high risk for bypass for the shorter distances (0-5 km), we would suggest that firstly UNC728B will be approved and implemented and secondly that National Grid would develop future refinements of the shorthaul product, in the course of this year, together with the members of the NTSCMF.

Question 7: What are your views on our minded-to decision that implementation of UNC728B should take place from 1 October 2021?

Vermilion response:

Vermilion supports implementation of UNC728B as from 1 October 2021, as this is the start of the first upcoming new Gas Year.

Question 8: Are there any other matters, whether or not addressed in our analysis or minded-to findings, which you think we should take into account in reaching our final determination?

Vermilion response:

Vermilion recommends Ofgem to finally approve UNC728B sooner rather than later. In any case, the decision should be taken well in advance of the deadline (end of May 2021) of the publication of the new tariffs applicable as from 1st October 2021.

As written in our representation dated June 24th, 2020, Vermilion is of the opinion that a conditional/shorthaul product would ideally mimic the situation where parties would build their own (bypass) pipeline and would fulfil the following four conditions:

1. assuring that this product cannot be used to either directly access the NBP from entry or to directly source gas from NBP to exit;
2. being cost reflective i.e. represent the cost (capex and opex) of a bypass pipeline;
3. being independent from the actual flow through the bypass pipeline;

4. facing fixed yearly costs for multiple years.

Neither UNC728B nor UNC728D fulfil all the four conditions outlined above, especially conditions 3 and 4 are not met. To have a better alignment with these four conditions, we would suggest considering future refinements of the conditional product in the near future (e.g. remainder of 2021 and potentially 2022).

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'H. Kreuze', is written over a light blue rectangular stamp that also contains the name 'H. Kreuze' in a smaller, printed font.

Henk Kreuze

European Commercial Manager

For and on behalf of Vermilion Energy Ireland Limited