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

February 19, 2021

Dear David,

Uniper supports Ofgem's minded-to decision to implement UNC 0728B. However, we believe that the impact of the proposal will need to be reviewed post-implementation, to ensure that the distance limit and the level of discount remains sufficient to disincentivise network bypass. For instance, should several, significant instances of NTS bypass occur even after implementation of this proposal, then it could be reasonably assumed that the level of discount is insufficient.

**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.**

We agree with Ofgem's assessment that "*Preventing inefficient bypass of the NTS, in a targeted, proportionate and compliant manner is, in our view, desirable*". It is important for competition, particularly with a 'postage stamp' charging methodology that sites which locate efficiently on the transmission network are appropriately recognised. Such sites are minimising the need for NGG to invest in the network, thereby avoiding potentially unnecessary costs to consumers.

**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.**

We agree with the rationale.

**Question 3: Do you agree with our assessment of the quantitative analysis? If you disagree, please provide a fully reasoned explanation.**

Broadly, yes.



**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.**

No view.

**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.**

Yes, we agree.

**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).**

Yes, we agree.

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

We agree. As implementation will impact capacity reserve prices, it is appropriate to introduce the change from October 2021. However, to enable efficient market decisions and minimise uncertainty ahead of the next Gas Year, Ofgem should aim to make a prompt decision.

**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?**

Whilst we appreciate that Ofgem needs the best possible information to inform its decision, given the relatively recent implementation of UNC 0678A, it is not realistic to expect companies to have fully worked up, detailed plans and an approved business case for network bypass. It should be assumed that some sites are still exploring bypass options in light of the recent charging changes and ongoing uncertainty about which (if any) shorthaul product will be implemented. Hence, we see a strong case for keeping the topic under regular review.