

By email

David O'Neill
The Office of Gas and Electricity Markets
10 South Colonnade
Canary Wharf
London
E14 4PU

19th February 2021

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

Dear David,

South Hook Gas Company Ltd. (SHG) is grateful for the opportunity to respond to Ofgem's consultation of 22 January 2021 in respect of its minded to decision and draft impact assessment on UNC Modification 0728 and alternatives (IA). In summary, SHG is supportive of Ofgem's minded to decision to implement UNC Modification 0728B, which provides a discount on Transmission Services charges, and for such implementation to take place from 1st October 2021. SHG believes that the methodology and eligibility criteria for the discount are suitable and result in a more cost reflective charging arrangement than the status quo. However, as stated in our UNC consultation response to Modification 0728, SHG does not believe that UNC Modification 0728B offers a complete solution given that it does not include a discount to the Non-Transmission Services Charges ("Non-Transmission Services Discount").

Proposed UNC Modifications 0728A and 0728D both include a Non-Transmission Services Discount, and SHG would have preferred a more detailed assessment or comment on these elements in the IA. Both proposed UNC Modifications have been discounted within the IA predominantly based on their respective distance caps and SHG's expectation would have been for the IA to include an assessment of the pros and cons of the respective Non-Transmission Services Discounts in these proposed UNC Modifications. As the proposer of UNC Modification 0728A, SHG contended that a discount to Non-Transmission Services Charges should be included in any solution on the grounds that the majority of the SO Allowed Revenue is specific to the NTS and therefore would be less relevant for a private bypass pipeline. SHG maintains the view that a Non-Transmission Services Discount is necessary for a solution to be reflective of the operational costs of a bypass pipeline and to discourage inefficient NTS bypass in accordance with UNC Relevant Objective (d) and UNC Relevant Charging Objective (b).

SHG notes, however, that no alternative was raised that included a 28km distance cap alongside a Non-Transmission Service Discount and therefore Ofgem was unable to ultimately approve a solution that contained both elements and that was consistent with its assessment of the Transmission Services charges discounts.

Given this, and the importance of having a solution implemented as soon as reasonably possible to avoid inefficient bypass of the NTS, SHG believes it would be pragmatic to implement UNC Modification 0728B for 1st October 2021 whilst asking industry to consider development of a Non-Transmission Services Discount element to further enhance the implemented solution.

We hope this response is of assistance and should you wish to discuss further or have any further questions please contact me on abates@southhookgas.com or +44 (0)20 7234 3505.

Adam Bates

Regulatory and Commercial Executive
South Hook Gas Company Ltd.