

26 May 2017

Review of the Fleetwood entry point in gas transmission

Dear Pete,

Thank you for inviting views on your proposals in respect of the Fleetwood ASEP. Barrow Green Gas (BGG) has no comment to offer on any changes to National Grid's funding allowance, which we regard as primarily a matter to be resolved between National Grid and Ofgem. However, we are opposed to any removal of the established capacity obligation.

At the invitation of National Grid through the QSEC process, BGG took a commercial decision to commit to purchase capacity at the Fleetwood ASEP. This commitment was made having regard to the regulatory landscape. We placed reliance on the fact that Ofgem recognises the importance of regulatory certainty and had already reviewed the appropriateness of the capacity obligation at Fleetwood. Ofgem's conclusion on the 2011 Income Adjusting Event consultation was that the baseline capacity should remain.

We are not aware of any material facts that have changed since that IAE decision that would lead to a view that now is the right time to reverse the decision. Indeed, the changes that we are aware of point in the opposite direction. The two key developments we would note are, first, that there has now been a commitment to purchase some of the available capacity. Second, it is well documented that opportunities to connect at Fleetwood have been actively pursued since Ofgem concluded that the capacity obligation should remain. We would suggest that both of these facts point to a view that the existence of the capacity obligation is, as it should be, being relied on by industry participants. To remove the obligation at this time rather than in 2011, prior to the development of various projects, is essentially a retrospective change to the regulatory regime, undermining past decisions taken in good faith.

The proposal to remove the capacity obligation runs counter to the principle of regulatory certainty. Undermining commercial decisions already taken, which is the effect of the proposal to remove the capacity obligation, creates uncertainty for any investment in the Fleetwood area since the consequent effect on the cost, timing and availability of capacity is unknown. More generally, however, a wider impact might be anticipated on other gas industry investments. Any perception



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of an increase in regulatory risk as a result of the decision regarding Fleetwood capacity would be expected to deter investment.

We hope this response is helpful and that Ofgem will conclude that what is described in the consultation as a finely balanced decision should not be implemented, but rather the existing capacity obligation should remain in place.

Yours sincerely,

Tim Davis
Managing Director