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Pete Wightman
RIO Gas Networks
Ofgem
9 Millbank
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11th May 2017

Dear Pete,

Re: Review of the Fleetwood entry point in gas transmission

Thank you for providing an opportunity to comment on the options under consideration in respect of the Fleetwood entry point. This response is on behalf of the Centrica group of companies, excluding Centrica Storage Limited.

We firmly believe that immediate rectification of the funding and capacity obligation is necessary to protect consumers from unreasonable cost and to ensure that a new user commitment obligation will be required to underwrite the provision of incremental capacity at the entry point.

We answer the specific consultation questions below:

Chapter 1

Question 1: Do you have any views on our proposal to “true up” NGGT’s funding for Fleetwood now?

We agree with your conclusion to favour your second option, i.e. “true up now” is appropriate. No evidence has been provided to suggest that the funding will be required during this price control period and it should therefore be removed from NGGT’s funding.

Chapter 2

Question 1: What are your views on our proposed options for the capacity obligation at Fleetwood?

In respect of remaining unsold capacity, the capacity obligation at Fleetwood should be removed immediately. This would adjust the obligation to a realistic level and essentially reinstate the user commitment requirement for the delivery by NGGT of incremental capacity. This would serve to protect consumers by ensuring that any expenditure for providing the capacity is appropriately underwritten by the capacity applicant.

However, NGGT must retain its commitment in respect of the capacity it has sold and honour the contract that has been struck, although we believe that the shipper who purchased capacity in 2025 is unlikely to deliver gas at the Fleetwood entry point without securing longer-term access to the NTS; it would be very surprising if any developer would fund and build a new storage facility without long-term system access rights. NGGT could enter into a commercial capacity buyback arrangement with the shipper in the event that the latter demonstrates it can flow gas to the NTS via Fleetwood against the registered capacity.



By removing the unsold capacity obligation, any purchaser of incremental capacity would now also be required to obtain it via a PARCA contract. This would help to better manage any future investment to be made by NGGT than previously (pre-PARCA) and to avoid any complications arising from planning processes.

Removing the capacity obligation might also assist NGGT in the efficient provision of capacity at other locations in the Fleetwood area.

Question 2: Are there any other options that you think we should consider?

No.

Yours sincerely,

Graham Jack
Regulatory Manager