

RWE's Response to National Gas's "NTS Gas Charging Discussion Document 13 – Impacts of Existing Contracts on Transmission Service Charges"

23 June 2023

About RWE

RWE is the leading power producer in the UK, accounting for around 15% of all electricity generated, with a diverse operational portfolio of onshore wind, offshore wind, hydro, biomass and gas, amounting to 12 GW installed capacity - enough to power around 14 million UK homes.

RWE is the UK's largest operator of Combined Cycle Gas Turbine (CCGT) power plants with a fleet of around 7GW installed capacity providing security for the country's energy supply. We are driving an accelerated pace of transition into this new, decarbonised world and in support of this are targeting investments of tens of millions of pounds in the next three years as we assess options to decarbonise our sites, including deployment of Carbon Capture and Storage technology. In addition to upgrading our existing fleet, we are also looking at developing new, state-of-the-art CCGTs with carbon capture technology installed. Our target is for the first of our fleet to be converted to decarbonised operation before 2030.

Our Response

RWE welcomes the opportunity to respond to this NTS Gas Charging Discussion document. Our answers to the questions posed are as follows:

[When considering the impacts of ECs:](#)

1. Do you agree that Existing Contracts are having a significant impact to Transmission Services Entry Reserve Prices?

We agree that this is currently the case, however, we note that in the next couple of years, many of these contracts will expire and the impact will fall substantially. It would have been helpful if the impact on reserve prices had been estimated and presented in the discussion paper in p/kWh for Gas Years beyond 2024/25. It wasn't clear what assumptions had been made in the estimate that for GY 2022/23, ECs drove up the Entry TS rates by 47.7% without their influence: whether EC contract holders would buy the same capacity holding or the expected utilisation only, and what the difference is.

2. Do you believe there should be some remedy to limit/reduce/remove their influence?

No.

At the time the current charging arrangements were introduced, the impact that ECs would have on Entry Reserve Prices was already fully anticipated. Circumstances have not changed and there is no new information regarding this. We cannot think of any alternative acceptable arrangements that are compliant with EU law that can be introduced.

3. Should there be any treatment, different to the status quo, for ECs and how they are accommodated and charged in the Charging Methodology?

No.

Although there may be a wish to increase costs for existing contract holders, the contracts and associated prices for capacity have already been agreed and the commodity charge element is not allowed under EU Law.

[On the options that focus on TS Entry alone:](#)

4. Do you think any of these options provide a more suitable approach to Transmission Services Charging achieving an objective of more competitive TS Entry charges? If so, please include why this would be beneficial to competition.

No.

We do not agree with introduction of any type of commodity flow charge at this time because we do not believe this can be compliant with EU Law.

5. Are there any other options or refinements / amendments / specific treatment within these options that should be considered and why?

None that we are aware of.

6. Should there be any additional things to consider (e.g. capacity hand-backs)

None that we are aware of.

[On the broader approach to managing TS Entry charging as part of a bigger objective \(e.g. making the UK more attractive to land Gas\)](#)

7. Are there merits in reviewing Transmission Services Charging on a broader perspective, recognising that this would encompass Entry and Exit?

No.

We do not agree with a change to the Entry/Exit split or Exit charging arrangements because these would be major fundamental changes, having consequences across the wider code arrangements, to solve a problem that is relatively short term and of decreasing materiality.

8. What, if any, objective could this aim to achieve?

No comment

9. Should a discussion and review of, for example, a change to the 50/50 split be a deliverable for any such review?

Please see our response to Q7.

Overall

10. Assuming an initial conclusion that something should be done (subject to views) do Stakeholders agree that we should explore:

- **c) TS Entry only?**
- **d) A wider scope i.e. Transmission Services as a whole?**

We do not agree that there should be a review of arrangements to address the impact of ECs on Entry Reserve Prices. Whilst we agree that there is an impact, we do not see any alternative acceptable arrangements compliant with EU Law and therefore we do not think it would be an optimal use of Ofgem's, National Gas's or industry time to attempt to find a workable solution to a problem that is relatively short term.

11. Is there anything not covered in this initial review that would be beneficial to take into consideration to facilitate advancing discussions on optioneering selection / direction / development for 2024 and beyond?

None that we are aware of.