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Via email

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Dear Thomas

NTS Gas Charging Discussion Document – Updating the Cost Inputs to the Optional Commodity Charge Function

Thank you for the opportunity to respond to the above discussion document. These comments are on behalf of BP Gas Marketing Limited.

Question 1: Do respondents prefer Option One or Option Two as the most reasonable approach, and most consistent with facilitating the relevant objectives, to update the underlying costs of the formula in an effort to bring the NTS Optional Commodity charge formula more up to date?

We are not in favour of either option. Although we agree that the elements that make up the NTS Optional Commodity Charge should be reviewed due to the fact that they have remained the same since the introduction of the charge in 1998, we do not think that the review should be carried out at this time of uncertainty within the tariffing framework of both the GB and European markets. Within the GB market and within the European market there are currently reviews to the charging regimes through the Gas Transmission Charging Review (GTCR), being undertaken by Ofgem in the GB market, and the development of the European Tariffs Network Code (TAR NC) being developed by ENTSOG.

Question 2: Do you agree with the proposal to delay reviewing the methodology / access and flexibility of the NTS Optional Commodity charge until EU TAR / GTCR is more certain?

As stated we believe that any review of charging should be delayed until there is more clarity surrounding the GTCR and the TAR NC.

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It would seem appropriate to us that any review of the charging methodology surrounding the NTS Optional Commodity Charge is timed to coincide with the development of the GTCR and the TAR NC. We note that the development of the GTCR has been delayed by Ofgem so that they can see what is finally agreed in the TAR NC.

Question 3: Do respondents agree with our proposed approach on timescales for notifying a change to NTS Optional Commodity charges, following the same notice periods as for other NTS charges? If not what do you believe these should be?

No, as we have stated above we believe that any review is delayed until there is more certainty around transmission charges.

Question 4: Do respondents believe 1 April 2016 is an appropriate implementation date? If not what do you believe the implementation date should be and why?

We do not believe 1 April 2016 is an appropriate implementation date for the reasons stated above.

Question 5: Are there any elements that you feel we should take into consideration, or that you believe we have missed and should take into account, in the two options being considered for reviewing the NTS Optional Commodity Charge?

Although the TAR NC contains the provision for the application of a shorthaul tariff the tariff will be applied to the capacity element of the charge. When the TAR NC is implemented within the GB market it would appear that the application of the NTS Optional Commodity Charge will have to cease and a capacity related charge will have to be introduced. We believe that National Grid should clarify if this is indeed the case. This would appear to be another reason why it is inappropriate to commence a review of the NTS Optional Commodity Charge at this time.

Within the TAR NC that has been re-presented to ACER there is the provision for the TSO to delay the implementation of the code for 24 months if the tariffs are to increase by over 20% due to the introduction of the TAR NC. Article 42.2 states:

A request to implement a mitigating measure shall demonstrate that the application of this Regulation results in an increase of the reference price at a minimum of one entry point or exit point by more than twenty percent as compared to the reference price applicable for the tariff period preceding the date referred to in the second subparagraph of Article 45 or, where Article 43 is applied, the date referred to in Article 43(1).

Within the NTS GCD11 the two proposed options both see significant increases in the NTS Optional Commodity Charge of over 150% and in some cases over 200%. This appears to go against the spirit of this Article. Where shippers and end users are faced with such steep increases they should be given far more notice of any impending increase than 3 months.

We hope that you find these comments helpful. If you wish to discuss further please don't hesitate to contact me on the number above.

Yours sincerely

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