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Chris Logue  
Head of Markets  
National Grid

Dear Chris,

**RE: National Grid Transmission's Consultation on Entry Capacity Release Methodology Statement ("ECRMS").**

Thank you for the opportunity to comment on the recently published proposed changes to the ECRMS.

PETCO TRADING (UK) LTD wish to express our disappointment with regards the extremely short notice period given prior to the proposed implementation date and also the short time that interested parties have been granted to respond to this important development given the potential ramifications resulting from implementation.

We would also like to highlight the lack of engagement with the parties most likely to be impacted by this decision prior to National Grid's ("NG") request to change the ECRMS.

We consider this proposal to be extremely troubling and we have several concerns as follows:

1. Under the terms of the Gas Transporter Licence Special Conditions, NG is required to use reasonable endeavours to release Obligated Entry Capacity at **each** NTS Entry Point in all available allocations up to the end of the day to which the capacity relates. We consider the removal of this requirement and the isolation of a single entry point to be highly discriminatory against users at that entry point. Furthermore, we are concerned at the setting of a precedent that will serve to undermine shipper confidence in the ECRMS, the Network Code and the current commercial arrangements as a whole.
2. One of the intentions of Network Code Modification 0752S, Introduction of a Weekly Entry Capacity Auction was to assist LNG shippers in creating certainty that they would be able to secure a minimum but sufficient amount of entry capacity required for them to discharge a vessel as this necessitates several days of flow into the NTS. Following approval of the modification, the weekly auctions have not yet commenced and we are already discussing NG's ability to override them regardless of any commercial arrangements that LNG Shippers at Milford Haven may have concluded on the basis of utilising the monthly and weekly capacity auctions.
3. The commercial arrangements underpinning the LNG market are generally concluded months in advance between buyers and sellers. The timing of this change gives LNG shippers little opportunity to factor the commercial implications into any decisions.

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4. This degradation in confidence in the current regime could not come at a worse time for the UK gas market. We note NG's reference to the current geopolitical situation and the recent volatile and high prices experienced. We have grave concerns that whilst NG suggest the benefit of this change will be to reduce NG constraint management costs and therefore ultimately lead to reduced costs for consumers, this ignores the potential impact upon supply to the UK and therefore possible increases in wholesale gas prices which could have a far more significant impact.
5. LNG shippers are subject to significant penalties from vessel owners should they be unable to discharge a vessel in good time and should they consider the risk of being unable to do this due to a lack of entry capacity or suitable compensation arrangements then you should assume that those vessels may be diverted to avoid this risk. The wholesale market has been characterised by unprecedented volatility since late 2021 and any news or fears of supply disruption has tended to have a significant impact upon the wholesale price. The irony of a policy that discourages supply in the current high-priced environment is not easy to ignore.
6. The increase in LNG supply to the UK since the price spikes has without doubt helped to alleviate some of the pressure and has almost certainly prevented the issue of high prices from being even more severe than those witnessed. It now appears that LNG shippers are to be penalised and expected to shoulder the burden of constraint management on behalf of NG. This discouraging situation seems inconsistent with the Government's recent British Energy Security Strategy of leveraging UK LNG infrastructure to promote security of supply for Europe.
7. NG has an established set of tools at their disposal to mitigate the risks of terminal or NTS constraints which we believe on balance will provide the most competitive solution to the problem. Changing rules at short notice to suit one party is damaging to the market longer term. Regulatory certainty is a cornerstone of market confidence and during exceptional periods such as this, any changes which will shake confidence can have longer term detriment and can only serve to undermine confidence in the UK market for foreign investment.

As Europe looks to transition away from dependency on Russian oil and gas and security of supply becomes a key topic for all nations including the UK, we believe that LNG supply will have a large part to play in addressing these issues and will become an increasingly important part of the UK supply mix.

We therefore feel it is vital that the issue of network capability particularly around the Milford Haven area is addressed as a matter of priority and that in future, consultations on such issues with the relevant parties would help secure more suitable solutions that do not discriminate against specific users, encourage the diversion of LNG cargoes to terminals outside the UK and thus risk gas supply into the UK, further increase prices and volatility in the UK gas market or contradict the British Energy Security Strategy.

Yours sincerely,



**Stephen Parle**

**Head of Strategy & Business Development**

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